

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the Quarterly Period Ended June 30, 2001

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the Transition Period from _____ to _____

Commission File Number 1-4300

APACHE CORPORATION
(Exact Name of Registrant as Specified in Its Charter)

Delaware

41-0747868

(State or Other Jurisdiction of
Incorporation or Organization)

(I.R.S. Employer
Identification Number)

Suite 100, One Post Oak Central
2000 Post Oak Boulevard, Houston, TX

77056-4400

(Address of Principal Executive Offices)

(Zip Code)

Registrant's Telephone Number, Including Area Code: (713) 296-6000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO
--- ---

Number of shares of Registrant's common stock, outstanding as of June 30, 2001.....124,979,556

PART I -- FINANCIAL INFORMATION

ITEM 1 -- FINANCIAL STATEMENTS

APACHE CORPORATION AND SUBSIDIARIES
STATEMENT OF CONSOLIDATED OPERATIONS
(UNAUDITED)

	FOR THE QUARTER ENDED JUNE 30,		FOR THE SIX MONTHS ENDED JUNE 30,	
	2001	2000	2001	2000
(In thousands, except per common share data)				
REVENUES:				
Oil and gas production revenues	\$ 796,045	\$ 488,206	\$ 1,597,643	\$ 934,323
Equity in income of affiliates	--	310	--	1,530
Other revenues (losses)	4,398	(2,103)	(2,057)	(1,249)
	800,443	486,413	1,595,586	934,604
OPERATING EXPENSES:				
Depreciation, depletion and amortization	208,652	136,338	381,182	268,487
International impairments	65,000	--	65,000	--
Lease operating costs	101,420	58,492	191,527	119,953
Severance and other taxes	20,248	11,117	41,541	20,083
Administrative, selling and other	23,193	16,593	43,569	31,242
Financing costs:				
Interest expense	49,254	41,615	93,966	83,183
Amortization of deferred loan costs	532	453	1,034	1,732
Capitalized interest	(13,783)	(14,824)	(28,868)	(28,841)
Interest income	(1,375)	(564)	(2,252)	(1,104)
	453,141	249,220	786,699	494,735
INCOME BEFORE INCOME TAXES	347,302	237,193	808,887	439,869
Provision for income taxes	141,557	92,961	320,941	178,641
INCOME BEFORE CHANGE IN ACCOUNTING PRINCIPLE	205,745	144,232	487,946	261,228
Cumulative effect of change in accounting principle, net of income tax	--	--	--	(7,539)
NET INCOME	205,745	144,232	487,946	253,689
Preferred stock dividends	4,877	4,908	9,785	10,172
INCOME ATTRIBUTABLE TO COMMON STOCK	\$ 200,868	\$ 139,324	\$ 478,161	\$ 243,517
BASIC NET INCOME PER COMMON SHARE:				
Before change in accounting principle	\$ 1.60	\$ 1.22	\$ 3.84	\$ 2.20
Cumulative effect of change in accounting principle	--	--	--	(.06)
	\$ 1.60	\$ 1.22	\$ 3.84	\$ 2.14
DILUTED NET INCOME PER COMMON SHARE:				
Before change in accounting principle	\$ 1.55	\$ 1.18	\$ 3.69	\$ 2.15
Cumulative effect of change in accounting principle	--	--	--	(.07)
	\$ 1.55	\$ 1.18	\$ 3.69	\$ 2.08

The accompanying notes to consolidated financial statements are an integral part of this statement.

APACHE CORPORATION AND SUBSIDIARIES
STATEMENT OF CONSOLIDATED CASH FLOWS
(UNAUDITED)

	FOR THE SIX MONTHS ENDED JUNE 30,	
	2001	2000
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 487,946	\$ 253,689
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	381,182	268,487
Provision for deferred income taxes	192,158	112,968
International impairments	65,000	--
Cumulative effect of change in accounting principle	--	7,539
Other	(20,745)	3,844
Other non-cash items	3,315	(1,378)
Changes in operating assets and liabilities:		
(Increase) decrease in receivables	30,530	(98,416)
(Increase) decrease in advances to oil and gas ventures and other	(14,011)	(4,093)
(Increase) decrease in deferred charges and other	(3,025)	(3,848)
(Increase) decrease in product inventory	869	(13,829)
Increase (decrease) in payables	(25,658)	42,658
Increase (decrease) in accrued expenses	22,394	(15,056)
Increase (decrease) in advances from gas purchasers	(6,558)	(13,785)
Increase (decrease) in deferred credits and noncurrent liabilities	(23,318)	8,467
Net cash provided by operating activities	1,090,079	547,247
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property and equipment	(776,450)	(425,738)
Non-cash portion of net oil and gas property additions	98,381	(5,799)
Acquisition of Fletcher subsidiaries	(465,018)	--
Acquisition of Repsol YPF properties	(446,933)	(117,322)
Acquisition of Collins & Ware properties	--	(316,906)
Proceeds from sales of oil and gas properties	238,715	21,224
Other, net	(46,452)	(7,291)
Net cash used in investing activities	(1,397,757)	(851,832)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Long-term borrowings	1,531,281	537,438
Payments on long-term debt	(1,111,613)	(198,581)
Dividends paid	(9,778)	(25,795)
Payments to repurchase Series C Preferred Stock	--	(2,613)
Common stock activity, net	7,125	17,692
Treasury stock activity, net	(16,006)	(17,727)
Cost of debt and equity transactions	(1,181)	(3)
Net cash provided by financing activities	399,828	310,411
NET INCREASE IN CASH AND CASH EQUIVALENTS	92,150	5,826
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	37,173	13,171
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 129,323	\$ 18,997

The accompanying notes to consolidated financial statements are an integral part of this statement.

APACHE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(UNAUDITED)

	JUNE 30, 2001	DECEMBER 31, 2000
	-----	-----
	(In thousands)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 129,323	\$ 37,173
Receivables	569,821	506,723
Inventories	77,452	54,764
Advances to oil and gas ventures and other	50,133	31,360
Oil and gas derivative instruments	11,279	--
	-----	-----
	838,008	630,020
	-----	-----
PROPERTY AND EQUIPMENT:		
Oil and gas, on the basis of full cost accounting:		
Proved properties	10,615,417	9,423,922
Unproved properties and properties under development, not being amortized	1,064,371	977,491
Gas gathering, transmission and processing facilities	708,570	573,621
Other	159,860	119,590
	-----	-----
	12,548,218	11,094,624
Less: Accumulated depreciation, depletion and amortization	(4,722,439)	(4,282,162)
	-----	-----
	7,825,779	6,812,462
	-----	-----
OTHER ASSETS:		
Goodwill, net	198,893	--
Oil and gas derivative instruments	62,799	--
Deferred charges and other	39,914	39,468
	-----	-----
	\$ 8,965,393	\$ 7,481,950
	=====	=====

The accompanying notes to consolidated financial statements are an integral part of this statement.

APACHE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
(UNAUDITED)

	JUNE 30, 2001	DECEMBER 31, 2000
	-----	-----
	(In thousands)	
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt	\$ 63,000	\$ 25,000
Oil and gas derivative instruments	50,989	--
Accounts payable	307,543	259,120
Accrued operating expense	32,020	23,893
Accrued exploration and development	242,291	143,916
Accrued compensation and benefits	19,560	34,695
Accrued interest	34,323	25,947
Accrued income taxes	48,478	9,123
Other accrued expenses	15,286	31,653
	-----	-----
	813,490	553,347
	-----	-----
LONG-TERM DEBT	2,574,926	2,193,258
	-----	-----
DEFERRED CREDITS AND OTHER NONCURRENT LIABILITIES:		
Income taxes	905,632	699,833
Advances from gas purchasers	146,548	153,106
Oil and gas derivative instruments	74,640	--
Other	109,817	127,766
	-----	-----
	1,236,637	980,705
	-----	-----
SHAREHOLDERS' EQUITY:		
Preferred stock, no par value, 5,000,000 shares authorized--		
Series B, 5.68% Cumulative Preferred Stock,		
100,000 shares issued and outstanding	98,387	98,387
Series C, 6.5% Conversion Preferred Stock, 138,482		
shares issued and outstanding	208,207	208,207
Common stock, \$1.25 par, 215,000,000 shares authorized,		
128,315,528 and 126,500,776 shares issued, respectively	160,394	158,126
Paid-in capital	2,280,150	2,173,183
Retained earnings	1,704,692	1,226,531
Treasury stock, at cost, 3,335,972 and 2,866,028 shares,		
respectively	(94,679)	(69,562)
Accumulated other comprehensive loss	(16,811)	(40,232)
	-----	-----
	4,340,340	3,754,640
	-----	-----
	\$ 8,965,393	\$ 7,481,950
	-----	-----

The accompanying notes to consolidated financial statements
are an integral part of this statement.

APACHE CORPORATION AND SUBSIDIARIES
STATEMENT OF CONSOLIDATED SHAREHOLDERS' EQUITY
(UNAUDITED)

(In thousands)	COMPREHENSIVE INCOME	SERIES B PREFERRED STOCK	SERIES C PREFERRED STOCK	COMMON STOCK	PAID-IN CAPITAL	RETAINED EARNINGS
	-----	-----	-----	-----	-----	-----
BALANCE AT DECEMBER 31, 1999		\$ 98,387	\$210,490	\$ 145,504	\$1,717,027	\$ 558,721
Comprehensive income:						
Net income	\$ 253,689	--	--	--	--	253,689
Currency translation adjustments	(19,700)	--	--	--	--	--
Unrealized loss on marketable securities, net of applicable income tax benefit of \$84	(129)	--	--	--	--	--

Comprehensive income	\$ 233,860					
	=====					
Dividends:						
Preferred		--	--	--	--	(9,842)
Common (\$.07 per share)		--	--	--	--	(7,961)
Common shares issued		--	--	751	21,990	--
Series C Preferred Stock purchased		--	(2,283)	--	--	(330)
Treasury shares purchased, net		--	--	--	225	--
		-----	-----	-----	-----	-----
BALANCE AT JUNE 30, 2000		\$ 98,387	\$208,207	\$ 146,255	\$1,739,242	\$ 794,277
		=====	=====	=====	=====	=====
BALANCE AT DECEMBER 31, 2000		\$ 98,387	\$208,207	\$ 158,126	\$2,173,183	\$1,226,531
Comprehensive income:						
Net income	\$ 487,946	--	--	--	--	487,946
Currency translation adjustments	8,284	--	--	--	--	--
Unrealized loss on marketable securities, net of applicable income tax benefit of \$228	(443)	--	--	--	--	--
Unrealized gain on derivatives, net of applicable income tax provision of \$13,961	15,580	--	--	--	--	--

Comprehensive income	\$ 511,367					
	=====					
Preferred dividends		--	--	--	--	(9,785)
Common shares issued		--	--	2,268	106,967	--
Treasury shares purchased, net		--	--	--	--	--
		-----	-----	-----	-----	-----
BALANCE AT JUNE 30, 2001		\$ 98,387	\$208,207	\$ 160,394	\$2,280,150	\$1,704,692
		=====	=====	=====	=====	=====

(In thousands)	TREASURY STOCK	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TOTAL SHAREHOLDERS' EQUITY
	-----	-----	-----
BALANCE AT DECEMBER 31, 1999	\$(52,256)	\$ (8,446)	\$ 2,669,427
Comprehensive income:			
Net income	--	--	253,689
Currency translation adjustments	--	(19,700)	(19,700)
Unrealized loss on marketable securities, net of applicable income tax benefit of \$84	--	(129)	(129)
Comprehensive income			
Dividends:			
Preferred	--	--	(9,842)
Common (\$.07 per share)	--	--	(7,961)
Common shares issued	--	--	22,741
Series C Preferred Stock purchased	--	--	(2,613)
Treasury shares purchased, net	(17,437)	--	(17,212)
	-----	-----	-----
BALANCE AT JUNE 30, 2000	\$(69,693)	\$ (28,275)	\$ 2,888,400
	=====	=====	=====
BALANCE AT DECEMBER 31, 2000	\$(69,562)	\$ (40,232)	\$ 3,754,640
Comprehensive income:			
Net income	--	--	487,946
Currency translation adjustments	--	8,284	8,284
Unrealized loss on marketable securities, net of applicable income tax benefit of \$228	--	(443)	(443)
Unrealized gain on derivatives, net of applicable income tax provision of \$13,961	--	15,580	15,580
Comprehensive income			

Preferred dividends	--	--	(9,785)
Common shares issued	--	--	109,235
Treasury shares purchased, net	(25,117)	--	(25,117)
	-----	-----	-----
BALANCE AT JUNE 30, 2001	\$(94,679)	\$ (16,811)	\$ 4,340,340
	=====	=====	=====

The accompanying notes to consolidated financial statements
are an integral part of this statement.

APACHE CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

These financial statements have been prepared by Apache Corporation (Apache or the Company) without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC), and reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the results for the interim periods, on a basis consistent with the annual audited financial statements. All such adjustments are of a normal recurring nature. Certain information, accounting policies, and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. These financial statements should be read in conjunction with the financial statements and the summary of significant accounting policies and notes thereto included in the Company's most recent annual report on Form 10-K.

Change in Accounting Principle -- In December 2000, the staff of the SEC announced that commodity inventories should be carried at cost, not market value, despite longstanding industry practice. As a result, Apache changed its accounting for crude oil inventories in the fourth quarter of 2000, retroactive to the beginning of the year, and recognized a non-cash cumulative-effect charge to earnings effective January 1, 2000. Quarterly results for 2000 have been restated to reflect this change in accounting.

1. ACQUISITIONS AND DIVESTITURES

Acquisitions -- In June 2000, Apache completed the acquisition of long-lived producing properties in the Permian Basin and South Texas from Collins & Ware, Inc. (Collins & Ware) for \$320.7 million. The acquisition included estimated proved reserves of 83.7 million barrels of oil equivalent (MMboe) as of the acquisition date. One-third of the reserves are liquid hydrocarbons.

In August 2000, Apache completed the acquisition of a Delaware limited liability company (LLC) owned by subsidiaries of Occidental Petroleum Corporation (Occidental) and the related natural gas production for \$321.2 million, plus future payments of approximately \$44.0 million over four years. The Occidental properties are located in 32 fields on 93 blocks on the Outer Continental Shelf of the Gulf of Mexico. The acquisition included estimated proved reserves of 53.1 MMboe as of the acquisition date.

In December 2000, Apache completed the acquisition of Canadian properties from Canadian affiliates of Phillips Petroleum Company (Phillips) for \$490.3 million. The acquisition included estimated proved reserves of approximately 70.0 MMboe as of the acquisition date. The properties comprise approximately 212,000 net developed acres and 275,000 net undeveloped acres, 786 square miles of 3-D seismic and 4,155 miles of 2-D seismic located in the Zama area of Northwest Alberta. The assets also include three sour gas plants with a total capacity of 150 million cubic feet (MMcf) per day, 13 compressor stations and 150 miles of owned and operated gas gathering lines.

On March 22, 2001, Apache completed the acquisition of substantially all of Repsol YPF's (Repsol) oil and gas concession interests in Egypt for approximately \$446.9 million in cash, subject to normal post closing adjustments. The properties include interests in seven Western Desert concessions and have estimated proved reserves of 66 MMboe as of the acquisition date. The Company already holds interests in five of the seven concessions.

On March 27, 2001, Apache completed the acquisition of subsidiaries of Fletcher Challenge Energy (Fletcher) for approximately \$465.0 million in cash and 1.64 million restricted shares of Apache common stock issued to Shell Overseas Holdings (valued at \$61.04 per share), subject to normal post closing adjustments. The transaction included properties located in Canada's Western Sedimentary Basin and in Argentina and estimated proved reserves of 120.8 MMboe as of the acquisition date. Apache assumed a liability of \$103.5 million representing the fair value of derivative instruments and fixed-price commodity contracts entered into by Fletcher.

The Fletcher and Repsol purchase prices were allocated to the assets acquired and liabilities assumed based upon their fair values on the date of acquisition, as follows:

	FLETCHER	REPSOL
	-----	-----
	(In thousands)	
Value of properties acquired, including gathering and transportation facilities	\$ 571,718	\$ 299,933
Goodwill	107,200	90,000
Derivative instruments and fixed-price contracts	(103,486)	--
Common stock issued	(100,325)	--
Working capital acquired, net	(8,202)	57,000
Deferred income tax liability	(1,887)	--
	-----	-----
Cash paid, net of cash acquired	\$ 465,018	\$ 446,933
	=====	=====

The following unaudited pro forma information shows the effect on the Company's consolidated results of operations as if the Fletcher, Repsol, Collins & Ware, Occidental and Phillips acquisitions occurred on January 1, 2000. The pro forma information is based on numerous assumptions and is not necessarily indicative of future results of operations.

	FOR THE SIX MONTHS ENDED JUNE 30, 2001		FOR THE SIX MONTHS ENDED JUNE 30, 2000	
	AS REPORTED	PRO FORMA	AS REPORTED	PRO FORMA
	-----	-----	-----	-----
	(In thousands, except per share data)			
Revenues	\$1,595,586	\$1,702,541	\$ 934,604	\$1,389,117
Net income	487,946	513,523	253,689	365,238
Preferred stock dividends	9,785	9,785	10,172	10,172
Income attributable to common stock	478,161	503,738	243,517	355,066
Net income per common share:				
Basic	\$ 3.84	\$ 4.02	\$ 2.14	\$ 2.85
Diluted	3.69	3.86	2.08	2.76
Average common shares outstanding	124,666	125,438	113,892	124,735

Divestitures -- During the six months ended June 30, 2001, Apache sold 66.2 MMboe of proved reserves from largely marginal United States and Canadian properties, collecting cash of \$238.7 million.

2. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Apache periodically enters into commodity derivatives contracts to manage its exposure to oil and gas price volatility. Commodity derivatives contracts, which are usually placed with major financial institutions that the Company believes are minimal credit risks, may take the form of futures contracts, swaps or options. The oil and gas reference prices upon which these commodity derivatives contracts are based, reflect various market indices that have a high degree of historical correlation with actual prices received by the Company. Realized gains and losses from the Company's price risk management activities are recognized in oil and gas production revenues when the associated production occurs and the resulting cash flows are reported as cash flows from operating activities.

Effective January 1, 2001, Apache adopted Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities". SFAS No. 133 establishes accounting and reporting standards requiring that all derivative instruments (including derivative instruments embedded in other contracts), as defined, be recorded in the balance sheet as either an asset or liability measured at fair value and requires that changes in fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Hedge accounting treatment allows unrealized gains and losses to be deferred in other comprehensive income (for the effective portion of the hedge) until such time as the forecasted transaction occurs, and requires that a company formally document, designate, and assess the effectiveness of derivative instruments that receive hedge accounting treatment. Upon adoption, Apache formally documented and designated all hedging relationships and

verified that its hedging instruments are effective in offsetting changes in actual prices received by the Company. Such effectiveness is monitored at least quarterly and any ineffectiveness is reported in other revenues (losses) in the statement of consolidated operations.

Apache's derivative positions break down into three general categories: advances from gas purchasers, Apache hedging activity and derivatives inherited as part of the Fletcher acquisition. The carrying values at transition and June 30, 2001 are summarized below:

	TRANSITION JANUARY 1, 2001	JUNE 30, 2001
	-----	-----
	(In thousands)	
Advances from Gas Purchasers:		
Derivatives -- asset	\$ 121,453	\$ 74,078
Embedded derivatives -- liability	(121,453)	(74,078)
Apache Hedging Activity:		
Fixed-price swaps	\$ (30,872)	\$ (21,420)
Zero-cost collars -- time value	(35,083)	8,758
Zero-cost collars -- intrinsic value	(50,274)	2,224
	-----	-----
	\$(116,229)	\$ (10,438)
	=====	=====

	ACQUISITION CLOSING DATE MARCH 27, 2001	JUNE 30, 2001
	-----	-----
	(In thousands)	

Fletcher Acquisition:		
Derivatives	\$ (89,401)	\$ (32,540)
Fixed-price physical contracts	(14,085)	(8,573)
	-----	-----
	\$(103,486)	\$ (41,113)
	=====	=====

On the transition date, January 1, 2001, Apache recognized a derivative asset of \$121.5 million reflecting the fair value of gas price swaps entered into in connection with certain advance payments received from gas purchasers in 1998 and 1997. Apache also recognized a derivative liability of \$121.5 million as an embedded derivative in the contracts under which the advance payments were received. The liability reflects the obligation to deliver gas at market prices in excess of the contractual prices determined at the inception of these transactions.

The balance of Apache's derivative instruments relate to cash flow hedges on forecasted oil and gas sales, primarily entered into as the result of Apache's acquisition hedging strategy. On the transition date, the fair value of these derivative instruments represented a net liability of \$116.2 million. The Company incurred a charge to earnings for minor ineffectiveness of \$1.1 million during the first half of 2001. The time value of zero-cost collars at June 30, 2001 of \$8.8 million will not trigger any cash receipts and will reduce to zero as the options expire over the course of the next 24 months.

In connection with the Fletcher acquisition, Apache assumed liabilities for derivative instruments (fixed-price swaps and put options) and fixed-price physical contracts entered into by Fletcher. The \$103.5 million fair value on the closing date was recorded as a cost of the Fletcher acquisition (see Note 1).

A reconciliation of the components of accumulated other comprehensive income (loss) in the statement of consolidated shareholders' equity related to Apache's derivative activities is presented in the table below (in thousands):

	GROSS -----	AFTER-TAX -----
Cumulative effect of change in accounting principle	\$(116,229)	\$ (71,287)
Reclassification of net realized losses into earnings	46,937	28,834
Net change in derivative fair value	97,708	57,330
Ineffectiveness recognized in earnings	1,125	703
	-----	-----
Accumulated other comprehensive income related to derivatives at June 30, 2001	\$ 29,541 =====	\$ 15,580 =====

3. NET INCOME PER COMMON SHARE

A reconciliation of the components of basic and diluted net income per common share is presented in the table below:

FOR THE QUARTER ENDED JUNE 30,						
2001			2000			
INCOME	SHARES	PER SHARE	INCOME	SHARES	PER SHARE	
(In thousands, except per share amounts)						
BASIC:						
Income attributable to common stock	\$200,868	125,444	\$ 1.60 =====	\$139,324	113,946	\$ 1.22 =====
EFFECT OF DILUTIVE SECURITIES:						
Stock options and other	--	1,011	--	1,069		
Series C Preferred Stock	3,488	5,676	3,488	5,676		
DILUTED:						
Income attributable to common stock, including assumed conversions	\$204,356 =====	132,131 =====	\$ 1.55 =====	\$142,812 =====	120,691 =====	\$ 1.18 =====

FOR THE SIX MONTHS ENDED JUNE 30,						
2001			2000			
INCOME	SHARES	PER SHARE	INCOME	SHARES	PER SHARE	
(In thousands, except per share amounts)						
BASIC:						
Income attributable to common stock	\$478,161	124,666	\$ 3.84 =====	\$243,517	113,892	\$ 2.14 =====
EFFECT OF DILUTIVE SECURITIES:						
Stock options and other	--	1,116	--	802		
Series C Preferred Stock	6,976	5,676	7,332	5,676		
DILUTED:						
Income attributable to common stock, including assumed conversions	\$485,137 =====	131,458 =====	\$ 3.69 =====	\$250,849 =====	120,370 =====	\$ 2.08 =====

4. DEBT

The Company's 9.25 percent notes due June 2002 were classified as long-term debt in the accompanying consolidated balance sheet as the Company has the ability and intent to refinance such amount on a long-term basis through either the issuance of commercial paper or borrowing under the U.S. portion of the global credit facility and the 364-day revolving credit facility.

5. RECENTLY ISSUED ACCOUNTING STANDARDS

Apache's goodwill represents the excess of the purchase price over the estimated fair value of the assets acquired and liabilities assumed in the Fletcher and Repsol acquisitions (see Note 1). The goodwill is being amortized on a straight-line basis over 20 years. In June 2001, the Financial Accounting Standards Board issued SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 establishes accounting and reporting standards requiring that goodwill not be amortized, but rather tested at least annually for impairment.

Apache will continue to record amortization of approximately \$2.5 million per quarter through December 31, 2001. The Company will adopt SFAS No. 142 on January 1, 2002. No impairment of goodwill is currently anticipated; however, the Company will continue to assess recoverability of goodwill on an ongoing basis.

6. SUPPLEMENTAL CASH FLOW INFORMATION

NON-CASH INVESTING AND FINANCING ACTIVITIES

In January 2000, the Company acquired producing properties formerly owned by a subsidiary of Repsol for cash, plus assumed liabilities of \$29.8 million.

In March 2001, the Company acquired substantially all of Repsol's oil and gas concession interests in Egypt for cash and the assumption of certain non-cash liabilities. The accompanying financial statements include the non-cash amounts detailed in Note 1.

In March 2001, the Company acquired subsidiaries of Fletcher for cash, 1.64 million restricted shares of common stock and the assumption of certain non-cash liabilities. The accompanying financial statements include the non-cash amounts detailed in Note 1.

In June 2001, the Company repurchased 500,000 shares of its common stock at an average price of \$51.70, of which \$9.4 million was settled and paid in July 2001.

CASH PAID FOR INTEREST AND TAXES

The following table provides supplemental disclosure of cash flow information:

	FOR THE SIX MONTHS ENDED JUNE 30,	
	2001	2000
	(In thousands)	
Cash paid during the period for:		
Interest (net of amounts capitalized)	\$56,722	\$54,876
Income taxes (net of refunds)	89,428	64,053

7. BUSINESS SEGMENT INFORMATION

Apache has five reportable segments which are primarily in the business of natural gas and crude oil exploration and production. The Company evaluates performance based on profit or loss from oil and gas operations before income and expense items incidental to oil and gas operations and income taxes. Apache's reportable segments are managed separately because of their geographic locations. Financial information by operating segment is presented below:

	UNITED STATES	CANADA	EGYPT	AUSTRALIA	OTHER INTERNATIONAL	TOTAL
	-----	-----	-----	-----	-----	-----
	(In thousands)					
FOR THE SIX MONTHS ENDED JUNE 30, 2001						
Oil and Gas Production Revenues..	\$ 918,732	\$ 333,679	\$ 225,558	\$ 119,674	\$ --	\$ 1,597,643
	=====	=====	=====	=====	=====	=====
Operating Income (Loss)(1)(2)....	\$ 568,523	\$ 199,951	\$ 148,092	\$ 66,851	\$(65,024)	\$ 918,393
	=====	=====	=====	=====	=====	
Other Income (Expense):						
Other revenues (losses).....						(2,057)
Administrative, selling and other.....						(43,569)
Financing costs, net.....						(63,880)

Income Before Income Taxes.....						\$ 808,887
						=====
Total Assets.....	\$4,279,718	\$2,178,399	\$1,519,549	\$ 861,657	\$126,070	\$ 8,965,393
	=====	=====	=====	=====	=====	=====
FOR THE SIX MONTHS ENDED JUNE 30, 2000						
Oil and Gas Production Revenues..	\$ 514,474	\$ 130,566	\$ 186,673	\$ 102,610	\$ --	\$ 934,323
	=====	=====	=====	=====	=====	=====
Operating Income (Loss)(1).....	\$ 263,663	\$ 73,437	\$ 131,037	\$ 57,687	\$ (24)	\$ 525,800
	=====	=====	=====	=====	=====	
Other Income (Expense):						
Equity in income of affiliates.....						1,530
Other revenues (losses).....						(1,249)
Administrative, selling and other.....						(31,242)
Financing costs, net.....						(54,970)

Income Before Income Taxes.....						\$ 439,869
						=====
Total Assets.....	\$3,404,705	\$ 918,520	\$ 923,421	\$ 789,751	\$166,126	\$ 6,202,523
	=====	=====	=====	=====	=====	=====

(1) Operating income consists of oil and gas production revenues less depreciation, depletion and amortization (DD&A) expense, international impairments, lease operating costs, and severance and other taxes.

(2) During the second quarter of 2001, the Company recorded a nonrecurring \$65 million impairment (\$41 million after-tax) of unproved property costs in Poland and China.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

Driven by record oil and natural gas production, both second quarter and first half results surged over their respective year-ago periods. Following are the 2001 second quarter and first six months highlights:

- - Record quarterly production of 154,718 barrels of oil per day (bbls/d) and 1.2 billion cubic feet per day (Bcf/d) was 38 percent and 53 percent above comparable prior-year production rates. On an equivalent barrel basis, the 46 percent growth from the second quarter of 2000 was the largest increase in nearly a decade. For the six-month period, production of 1.1 Bcf/d and 138,198 bbls/d was 43 percent and 22 percent ahead of a year ago, respectively.
- - Second quarter oil and natural gas production revenues of \$796 million, climbed 63 percent from last year's comparable quarter, with second quarter oil production revenues climbing to a record \$355.3 million, 34 percent above 2000, while gas revenues nearly doubled the year-ago period. Higher natural gas prices (up 31 percent) and production (up 53 percent) accounted for 69 percent of the increase in revenues relative to the comparable prior-year period. For the six-month period, oil and natural gas revenues surged 71 percent with natural gas contributing 82 percent to the increase.
- - Income attributable to common stock of \$478.2 million was \$234.6 million (96 percent) higher than the first half of 2000 and surpassed the results from Apache's second best full year.
- - Basic net income per common share of \$3.84 for the six-month period was \$1.70, or 79 percent higher than last year's comparable period.
- - Cash provided by operating activities of \$1.1 billion increased 99 percent from the first half of 2000.

The outlook for the second half of 2001 remains favorable despite declining U.S. natural gas prices, recently trading around \$3.00 per Mcf, and a leveling off of crude oil prices.

Commodity Prices -- Apache's average realized price for natural gas increased \$1.96 per thousand cubic feet (Mcf) from \$2.80 per Mcf in the first half of 2000 to \$4.76 per Mcf in 2001, positively impacting revenues by \$268.8 million. The average realized oil price decreased \$.20 per barrel from \$25.69 per barrel in the first half of 2000 to \$25.49 per barrel in the comparable 2001 period, decreasing revenues by \$4.3 million.

Production -- Oil production increased 22 percent during the first half of 2001 when compared to the same period last year, which positively impacted revenues by \$111 million. The improvement was primarily the result of production from acquisitions closed over the last 12 months, completion of the Gipsy/North Gipsy development and first production from the Legendre field in Australia. Gas production increased 43 percent during the first half of 2001 compared to the same period last year, positively impacting revenues by \$275.5 million. The increase was primarily attributable to production from the acquisitions discussed above and strong results from the Ladyfern area in Canada.

RESULTS OF OPERATIONS

Apache reported 2001 second quarter income attributable to common stock of \$200.9 million compared to income of \$139.3 million in the prior year. Basic net income per common share of \$1.60 for the second quarter of 2001, increased 31 percent over the \$1.22 reported in 2000. A significant increase in oil and gas production revenues was partially offset by higher DD&A expense, lease operating costs, severance and other taxes and impairments of unproved property costs in Poland and China.

For the first half of 2001, income attributable to common stock of \$478.2 million, or \$3.84 per basic common share, compared to \$243.5 million, or \$2.14 per share, in the comparable year-earlier period. The increase resulted primarily from increased oil and gas production revenues partially offset by higher DD&A expense, lease operating costs, severance and other taxes and impairments of unproved property costs in Poland and China.

For the second quarter of 2001, total revenues increased 65 percent to \$800.4 million compared to \$486.4 million in 2000. The increase was the result of a 53 percent increase in natural gas production, a 38 percent increase in oil production and a 31 percent increase in the average realized price for natural gas. Crude oil, including natural gas liquids, contributed 46 percent and natural gas contributed 54 percent of oil and gas production revenues during the second quarter of 2001.

For the first six months of 2001, total revenues increased 71 percent to \$1.6 billion compared to \$934.6 million for the same period in 2000. Revenues from oil and gas production increased 71 percent over the same period in 2000, with crude oil, including natural gas liquids, contributing 42 percent and natural gas contributing 58 percent of oil and gas production revenues. The increase in oil and gas production revenues was the result of a 70 percent increase in the average realized gas price, a 43 percent increase in gas production and a 22 percent increase in oil production.

Volume and price information for the Company's oil and gas production is summarized in the following table:

	FOR THE QUARTER ENDED JUNE 30,			FOR THE SIX MONTHS ENDED JUNE 30,		
	2001	2000	INCREASE (DECREASE)	2001	2000	INCREASE (DECREASE)
Natural Gas Volume -- Mcf per day:						
United States	604,582	476,171	27%	620,475	480,530	29%
Canada	328,299	131,641	149%	255,550	128,775	98%
Australia	121,266	108,754	12%	118,010	98,860	19%
Egypt	113,616	47,995	137%	84,179	46,007	83%
Total	1,167,763	764,561	53%	1,078,214	754,172	43%
Average Natural Gas price - Per Mcf:						
United States	\$ 4.46	\$ 3.38	32%	\$ 5.56	\$ 3.00	85%
Canada	4.23	2.87	47%	4.72	2.50	89%
Australia	1.19	1.38	(14%)	1.22	1.42	(14%)
Egypt	3.99	4.30	(7%)	3.89	4.51	(14%)
Total	4.01	3.07	31%	4.76	2.80	70%
Oil Volume -- Barrels per day:						
United States	58,197	54,085	8%	58,962	53,991	9%
Canada	31,069	14,020	122%	25,615	13,836	85%
Australia	22,073	15,760	40%	18,899	15,069	25%
Egypt	43,379	28,656	51%	34,722	30,611	13%
Total	154,718	112,521	38%	138,198	113,507	22%
Average Oil price -- Per barrel:						
United States	\$ 25.49	\$ 25.65	(1%)	\$ 26.44	\$ 25.57	3%
Canada	19.64	20.88	(6%)	20.58	21.28	(3%)
Australia	28.50	29.22	(2%)	27.36	28.09	(3%)
Egypt	27.24	26.93	1%	26.47	26.73	(1%)
Total	25.24	25.88	(2%)	25.49	25.69	(1%)
Natural Gas Liquids (NGL) Volume -- Barrels per day:						
United States	7,871	5,089	55%	7,734	4,836	60%
Canada	860	1,019	(16%)	1,052	1,277	(18%)
Total	8,731	6,108	43%	8,786	6,113	44%
Average NGL Price -- Per barrel:						
United States	\$ 18.66	\$ 18.18	3%	\$ 19.33	\$ 17.86	8%
Canada	18.06	14.83	22%	23.49	15.38	53%
Total	18.60	17.62	6%	19.83	17.34	14%

SECOND QUARTER 2001 REVENUES COMPARED TO 2000

Natural gas sales for the second quarter of 2001 totaled \$426 million, nearly double the second quarter of 2000. Average realized natural gas prices increased 31 percent, positively impacting revenues by \$65.5 million. The net result of derivative instruments increased the Company's realized gas price by \$.07 per Mcf during the second quarter of 2001 and \$.05 per Mcf for the same period in 2000.

Natural gas production increased 403.2 million cubic feet per day (MMcf/d), or 53 percent, on a worldwide basis, favorably impacting revenues by \$147.1 million. Production from properties acquired from Phillips in December 2000 and Fletcher on March 27, 2001, and strong results from the Ladyfern area were the primary contributors to the 196.7 MMcf/d gas production increase in Canada. The U.S. increased 128.4 MMcf/d primarily the result of production from properties acquired from Collins & Ware in June 2000 and Occidental in August 2000. Egypt increased 65.6 MMcf/d due to production from properties acquired from Repsol in March 2001.

The Company's crude oil sales for the second quarter of 2001 totaled \$355.3 million, a 34 percent increase from the second quarter of 2000, due to increased production volumes. Average realized oil prices decreased \$.64 per barrel, negatively impacting revenues by \$6.6 million. Realized losses from hedging positions negatively impacted the Company's realized oil price by \$.53 per barrel during the second quarter of 2001 and \$1.81 per barrel in the second quarter of 2000.

Oil production increased 38 percent compared to the prior year, favorably impacting revenues by \$96.9 million. Canada increased 17,049 bbls/d, Egypt increased 14,723 bbls/d and the U.S. increased 4,112 bbls/d, primarily due to production from properties acquired from Phillips, Fletcher, Repsol, Collins & Ware and Occidental as mentioned above. Completion of the Gipsy/North Gipsy development and first production from the Legendre field in Australia were the primary contributors to the 6,313 bbls/d increase in Australia.

Revenue from the sale of natural gas liquids totaled \$14.8 million for the second quarter of 2001, compared to \$9.8 million for the second quarter of 2000 in response to a six percent improvement in realized prices and a 43 percent increase in natural gas liquids production.

YEAR-TO-DATE 2001 REVENUES COMPARED TO 2000

Natural gas sales for the first half of 2001 of \$928.5 million increased \$544.3 million, or 142 percent, from the same period of 2000. Average realized natural gas prices increased 70 percent, positively affecting revenues by \$268.8 million. U.S. natural gas production, which comprised 58 percent of the Company's worldwide gas production, sold at an average price of \$5.56 per Mcf, 85 percent higher than in 2000, positively impacting natural gas revenues by \$224.3 million. The net result of derivative instruments impacted the Company's realized gas price by a negative \$.04 per Mcf during the first half of 2001 and a positive \$.03 per Mcf during the same period of 2000.

Production from properties acquired from Phillips and Fletcher and strong results from the Ladyfern area were the primary contributors to the 126.8 MMcf/d gas production increase in Canada. The U.S. increased 139.9 MMcf/d due to the production from properties acquired from Collins & Ware and Occidental, and Egypt increased 38.2 MMcf/d due to producing properties acquired from Repsol.

For the first half of 2001, oil revenues of \$637.6 million increased \$106.8 million, or 20 percent, from the same period in 2000 due to improved production. On a worldwide basis, average oil prices decreased \$.20 per barrel, or one percent, to \$25.49 per barrel negatively impacting oil revenues by \$4.3 million. Realized losses from hedging positions negatively impacted the Company's realized oil price by \$.62 per barrel during the first half of 2001 and \$1.80 per barrel during the first half of 2000.

Oil production increased 11,779 bbls/d in Canada, 4,971 bbls/d in the U.S. and 4,111 bbls/d in Egypt, primarily driven by production from properties acquired from Phillips, Fletcher, Repsol, Collins & Ware and Occidental as mentioned above. Completion of the Gipsy/North Gipsy development and first production from the Legendre field in Australia were the primary contributors to the 3,830 bbls/d increase in Australia.

Natural gas liquids revenues for the first six months of 2001 of \$31.5 million increased \$12.2 million, or 63 percent, from the same period in 2000. Natural gas liquids prices increased by \$2.49 per barrel, or 14 percent and natural gas liquids production increased 2,673 barrels per day, or 44 percent.

OPERATING EXPENSES

The Company's DD&A expense for the second quarter and first six months of 2001 increased \$72.3 million and \$112.7 million, respectively, over the comparable periods of 2000. On an equivalent barrel (Boe) basis, full cost DD&A expense increased \$.23 per Boe, from \$5.69 per Boe in the second quarter of 2000 to \$5.92 per Boe in 2001. For the six months ended June 30, 2001, the full cost DD&A rate increased \$.37 per Boe, from \$5.62 per Boe to \$5.99 per Boe. For the first six months of 2001, the full cost DD&A rate for the U.S. increased \$.40 per Boe from \$6.09 per Boe to \$6.49 per Boe, primarily the result of the acquisition of the Occidental properties in August 2000 and rising U.S. drilling costs. The acquisition of the Phillips properties in December 2000 carry higher DD&A costs, which helped push the full cost DD&A rate in Canada from \$5.49 per Boe to \$5.96 per Boe.

During the second quarter of 2001, the Company recorded a nonrecurring \$65 million impairment (\$41 million after-tax) of unproved property costs in Poland and China.

Lease operating expense (LOE) for the second quarter and first six months of 2001 increased \$42.9 million and \$71.6 million, respectively, over the comparable periods of 2000. On an equivalent barrel basis, LOE increased \$.50 per Boe to \$3.11 per Boe in the second quarter and \$.55 per Boe to \$3.24 per Boe in the first six months of 2001 compared to the same periods in the prior year. The higher costs were partially attributable to the acquisition of Canadian and offshore oil properties, which carried a higher LOE per Boe rate than the Company's base production. Increased workover activities in the U.S. and Canada and rising fuel cost for electric power also contributed to the increase. The workovers accelerated production, allowing Apache to maximize the benefits of high oil and gas prices. Severance and other taxes increased \$9.1 million in the second quarter and \$21.5 million in the first six months of 2001 primarily due to the impact of higher oil and gas prices on severance taxes, which generally are based on a percentage of oil and gas production revenues. Also contributing to the increase were higher effective production tax rates due to a loss of incentives in Oklahoma and an increase in Canadian Large Corporation Tax due to the added production from the Fletcher acquisition properties.

G&A expense in the second quarter and first six months of 2001 increased \$6.6 million or 40 percent, and \$12.3 million or 39 percent, respectively, from a year ago. The Company's overall infrastructure was enlarged to properly handle increased responsibilities associated with recent producing property acquisitions. On an equivalent barrel basis, G&A expenses increased only \$.04 per Boe, to \$.74 per Boe, for the first half of 2001 as compared to \$.70 per Boe for the same period in 2000.

Net financing costs for the second quarter and first six months of 2001 increased \$7.9 million, or 30 percent, and \$8.9 million, or 16 percent, respectively, compared to a year ago. This increase is primarily due to higher gross interest expense, the result of a higher average outstanding debt balance related to acquisition activity in the second half of 2000 and the first quarter of 2001.

MARKET RISK

COMMODITY RISK

The Company's major market risk exposure continues to be the pricing applicable to its oil and gas production. Realized pricing is primarily driven by the prevailing worldwide price for crude oil and spot prices applicable to its United States and Canadian natural gas production. Historically, prices received for oil and gas production have been volatile and unpredictable. Price volatility is expected to continue. See "Results of Operations" above.

INTEREST RATE RISK

The Company considers its interest rate risk exposure to be minimal as a result of fixing interest rates on approximately 58 percent of the Company's debt. At June 30, 2001, total debt included \$1.1 billion of floating-rate debt. As a result, Apache's annual interest cost in 2001 will fluctuate based on short-term interest rate on approximately 42 percent of its total debt outstanding at June 30, 2001. The Company did not have any open derivative contracts relating to interest rates at June 30, 2001.

CASH FLOW, LIQUIDITY AND CAPITAL RESOURCES

CAPITAL COMMITMENTS

Apache's primary cash needs are for exploration, development and acquisition of oil and gas properties, repayment of principal and interest on outstanding debt, payment of dividends and capital obligations for affiliated ventures. Apache budgets capital expenditures based upon projected cash flow and routinely adjusts its capital expenditures in response to changes in oil and natural gas prices and corresponding changes in cash flow. The Company cannot accurately predict future oil and gas prices.

Capital Expenditures - A summary of oil and gas capital expenditures during the first six months of 2001 and 2000 is presented below:

	FOR THE SIX MONTHS ENDED JUNE 30,	
	2001	2000
	(In thousands)	
Exploration and development:		
United States	\$430,453	\$219,550
Canada	194,766	59,778
Egypt	50,621	44,548
Australia	41,023	18,390
Other international	4,072	11,105
	720,935	353,371
Capitalized Interest	28,868	28,841
	-----	-----
Total	\$749,803	\$382,212
	=====	=====
Acquisitions of oil and gas properties	\$762,721	\$501,155
	=====	=====

On March 22, 2001, Apache completed the acquisition of substantially all of Repsol's oil and gas concession interests in Egypt for approximately \$446.9 million in cash, subject to normal post-closing adjustments. The properties include interests in seven Western Desert concessions and have estimated proved reserves of 66 MMboe as of the acquisition date. The Company already holds interests in five of the seven concessions. The transaction was funded through the issuance of commercial paper.

On March 27, 2001, Apache completed the acquisition of subsidiaries of Fletcher for approximately \$465.0 million in cash and 1.64 million restricted shares of Apache common stock (valued at \$61.04 per share), subject to normal post closing adjustments. The transaction included properties located in Canada's Western Sedimentary Basin and in Argentina and have estimated proved reserves of 120.8 MMboe as of the acquisition date. Apache assumed a liability of \$103.5 million representing the fair value of derivative instruments and fixed-price commodity contracts entered into by Fletcher. The cash portion of the acquisition was funded through the issuance of commercial paper, as well as advances under the Canadian portion of the global credit facility.

CAPITAL RESOURCES AND LIQUIDITY

Net Cash Provided by Operating Activities -- Apache's net cash provided by operating activities during the first half of 2001 totaled \$1.1 billion, an increase of 99 percent from \$547.2 million in the first half of 2000. This increase was primarily due to higher oil and gas revenues generated from properties acquired throughout 2000 and the first quarter of 2001 and higher realized gas prices as compared to last year.

Liquidity -- The Company had \$129.3 million in cash and cash equivalents on hand at June 30, 2001, up from \$37.2 million at December 31, 2000. Apache's ratio of current assets to current liabilities at June 30, 2001 was 1.03 compared to 1.14 at December 31, 2000.

Apache believes that cash on hand, net cash generated from operations, and unused committed borrowing capacity under its global credit facility will be adequate to satisfy the Company's financial obligations to meet future liquidity needs for the foreseeable future. As of June 30, 2001, Apache's available borrowing capacity under its global credit facility and 364-day credit facility was \$463.4 million.

FUTURE TRENDS

Apache's strategy is to increase its oil and gas reserves, production, cash flow and earnings through a balanced growth program that involves:

- - Exploiting our existing asset base through workovers and development wells to increase productive capacity.
- - Drilling exploration wells to add new reserves.
- - Acquiring properties to which we can add value.

EXPLOITING OUR EXISTING ASSET BASE THROUGH WORKOVERS AND DEVELOPMENT WELLS TO INCREASE PRODUCTIVE CAPACITY

Apache seeks to maximize the value of our existing asset base by conducting workovers and development drilling within known limits of previously recognized reservoirs to increase productive capacity and/or the efficiency or rate of existing fields.

DRILLING EXPLORATION WELLS TO ADD NEW RESERVES

Apache seeks to add new reserves through drilling exploratory wells in all our regions. Higher risk, higher reward exploration is conducted in Canada and select international core areas. Our international investments and exploration activities are a significant component of our long-term growth strategy. They complement our United States operations, which are more development oriented.

ACQUIRING PROPERTIES TO WHICH WE CAN ADD VALUE

Apache seeks to purchase reserves at reasonable prices by generally avoiding auction processes where we are competing against other buyers. Our aim is to follow each acquisition with a cycle of reserve enhancement, property consolidation and cash flow acceleration, facilitating asset growth and debt reduction.

A critical component in implementing our three-pronged growth strategy is maintenance of significant financial flexibility. We are committed to preserving a strong balance sheet and credit position that gives us the foundation required to pursue our growth initiatives.

FORWARD-LOOKING STATEMENTS AND RISK

Certain statements in this report, including statements of the future plans, objectives, and expected performance of the Company, are forward-looking statements that are dependent upon certain events, risks and uncertainties that may be outside the Company's control, and which could cause actual results to differ materially from those anticipated. Some of these include, but are not limited to, the market prices of oil and gas, economic and competitive conditions, inflation rates, legislative and regulatory changes, financial market conditions, political and economic uncertainties of foreign governments, future business decisions, and other uncertainties, all of which are difficult to predict.

There are numerous uncertainties inherent in estimating quantities of proved oil and gas reserves and in projecting future rates of production and the timing of development expenditures. The total amount or timing of actual future production may vary significantly from reserves and production estimates. The drilling of exploratory wells can involve significant risks, including those related to timing, success rates and cost overruns. Lease and rig availability, complex geology and other factors can affect these risks. Although Apache makes use of futures contracts, swaps, options and fixed-price physical contracts to mitigate risk, fluctuations in oil and gas prices, or a prolonged continuation of low prices, may substantially adversely affect the Company's financial position, results of operations and cash flows.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information set forth in Note 10 to the Consolidated Financial Statements contained in the Company's annual report on Form 10-K for the year ended December 31, 2000 (filed with the SEC on March 23, 2001) is incorporated herein by reference.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company's annual meeting of stockholders was held in Houston, Texas at 10:00 a.m. local time, on Thursday, May 3, 2001. Proxies for the meeting were solicited pursuant to Regulation 14 under the Securities Exchange Act of 1934, as amended. There was no solicitation in opposition to the nominees for election as directors as listed in the proxy statement, and all nominees were elected.

Out of a total of 123,755,014 shares of the Company's common stock outstanding and entitled to vote, 111,088,817 shares were present at the meeting in person or by proxy, representing 89.8 percent. Matters voted upon at the meeting were as follows:

Election of five directors to serve on the Company's board of directors. Mr. Fiedorek, Ms. Lowe, Mr. Merelli and Mr. Plank were elected to serve until the annual meeting in 2004, and Mr. Pitman was elected to serve until the annual meeting in 2003. The vote tabulation with respect to each nominee was as follows:

NOMINEE	FOR	AUTHORITY WITHHELD
-----	-----	-----
Eugene C. Fiedorek	110,061,766	1,027,051
Mary Ralph Lowe	105,375,644	5,713,173
F. H. Merelli	105,343,132	5,745,685
Charles J. Pitman	105,345,865	5,742,952
Raymond Plank	98,373,714	12,715,103

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

- 10.01 -- Apache Corporation 1990 Stock Incentive Plan, as amended and restated May 3, 2001, effective May 1, 2001.
- 10.02 -- Apache Corporation 1995 Stock Option Plan, as amended and restated May 3, 2001, effective May 1, 2001.
- 10.03 -- Apache Corporation 1996 Performance Stock Option Plan, as amended and restated May 3, 2001.
- 10.04 -- Apache Corporation 1998 Stock Option Plan, as amended and restated May 3, 2001, effective May 1, 2001.
- 10.05 -- Apache Corporation 2000 Stock Option Plan, as amended and restated May 3, 2001, effective May 1, 2001.
- 10.06 -- Apache Corporation 2000 Share Appreciation Plan, as amended and restated May 3, 2001.
- 10.07 -- Apache Corporation Deferred Delivery Plan, as amended and restated May 3, 2001.
- 10.08 -- Apache Corporation Outside Directors' Retirement Plan, as amended and restated May 3, 2001.
- 10.09 -- Apache Corporation Equity Compensation Plan for Non-Employee Directors, as amended and restated May 3, 2001.
- 10.10 -- Amended and Restated Conditional Stock Grant Agreement, dated June 6, 2001, between Registrant and G. Steven Farris.
- 10.11 -- Amendment to Apache Corporation 401(k) Savings Plan, dated August 3, 2001, effective as of the various dates specified therein.
- 10.12 -- Amendment to Apache Corporation Money Purchase Retirement Plan, dated August 3, 2001, effective as of the various dates specified therein.
- 10.13 -- Amendment to Non-Qualified Retirement/Savings Plan of Apache Corporation, dated August 3, 2001, effective as of September 1, 2000 and July 1, 2001.
- 12.1 -- Statement of Computation of Ratios of Earnings to Fixed Charges and Combined Fixed Charges and Preferred Stock Dividends

(b) Reports filed on Form 8-K

The following current reports on Form 8-K were filed by Apache during the fiscal quarter ended June 30, 2001:

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

APACHE CORPORATION

Dated: August 13, 2001

/s/ Roger B. Plank

Roger B. Plank
Executive Vice President and Chief Financial
Officer

Dated: August 13, 2001

/s/ Thomas L. Mitchell

Thomas L. Mitchell
Vice President and Controller
(Chief Accounting Officer)

INDEX TO EXHIBITS

EXHIBIT NO. -----		DESCRIPTION -----
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*12.1	--	Statement of Computation of Ratios of Earnings to Fixed Charges and Combined Fixed Charges and Preferred Stock Dividends

- -----
 * Filed herewith.

APACHE CORPORATION

1990 STOCK INCENTIVE PLAN

(AS AMENDED AND RESTATED MAY 3, 2001;
EFFECTIVE AS OF MAY 1, 2001)

APACHE CORPORATION
1990 STOCK INCENTIVE PLAN

(AS AMENDED AND RESTATED MAY 3, 2001;
EFFECTIVE AS OF MAY 1, 2001)

SECTION 1

INTRODUCTION

1.1 Establishment. Apache Corporation, a Delaware corporation (hereinafter referred to, together with its Affiliated Corporations (as defined in subsection 2.1(a)) as the "Company" except where the context otherwise requires), hereby establishes the Apache Corporation 1990 Stock Incentive Plan (the "Plan") for certain key employees of the Company. The Plan permits the grant of stock options to certain key employees of the Company.

1.2 Purposes. The purposes of the Plan are to provide the key management employees selected for participation in the Plan with added incentives to continue in the long-term service of the Company and to create in such employees a more direct interest in the future success of the operations of the Company by relating incentive compensation to increases in shareholder value, so that the income of the key management employees is more closely aligned with the income of the Company's shareholders. The Plan is also designed to attract key employees and to retain and motivate participating employees by providing an opportunity for investment in the Company.

1.3 Effective Date. The Effective Date of the Plan (the "Effective Date") is September 19, 1990. This Plan and each option granted hereunder is conditioned on and shall be of no force or effect until approval of the Plan by the holders of the shares of voting stock of the Company unless the Company, on the advice of counsel, determines that shareholder approval is not necessary.

SECTION 2

DEFINITIONS

2.1 Definitions. The following terms shall have the meanings set forth below:

(a) "Administrative Agent" means any designee or agent that may be appointed by the Committee pursuant to Section 3.1(b) hereof.

(b) "Affiliated Corporation" means any corporation or other entity (including but not limited to a partnership) which is affiliated with Apache

Corporation through stock ownership or otherwise and is treated as a common employer under the provisions of Sections 414(b) and (c) of the Internal Revenue Code.

(c) "Board" means the Board of Directors of the Company.

(d) "Committee" means the Stock Option Plan Committee of the Board which is empowered hereunder to take actions in the administration of the Plan. The Committee shall be constituted at all times as to permit the Plan to comply with Rule 16b-3 or any successor rule promulgated under the Securities Exchange Act of 1934 (the "1934 Act"). Members of the Committee shall be appointed from time to time by the Board, shall serve at the pleasure of the Board and may resign at any time upon written notice to the Board.

(e) "Deferred Delivery Plan" means the Company's Deferred Delivery Plan, effective as of February 10, 2000 and as it may be amended from time to time, or any successor plan.

(f) "Depository Shares" means the Depository shares representing the Company's preferred stock convertible into Stock.

(g) "Effective Date" means the effective date of the Plan, September 19, 1990.

(h) "Eligible Employees" means those full-time key employees (including, without limitation, officers and directors who are also employees) of the Company or any division thereof, upon whose judgment, initiative and efforts the Company is, or will become, largely dependent for the successful conduct of its business.

(i) "Fair Market Value" means the per share closing price of the Stock or Depository Shares, as applicable, on the composite tape on a particular date. If on such date there are no transactions in the Stock or Depository Shares, as applicable, the Fair Market Value shall be determined as of the immediately preceding date on which there were transactions in the Stock or Depository Shares, as applicable.

(j) "Internal Revenue Code" means the Internal Revenue Code of 1986, as it may be amended from time to time.

(k) "Option" means a right to purchase shares of Stock at a stated price for a specified period of time. All Options granted under the Plan shall be Options

which are not "incentive stock options" as described in Section 422A of the Internal Revenue Code.

(l) "Option Price" means the price at which shares of Stock subject to an Option may be purchased, determined in accordance with subsection 7.2(b).

(m) "Participant" means an Eligible Employee designated by the Committee from time to time during the term of the Plan to receive one or more Options under the Plan.

(n) "Stock" means the \$1.25 par value Common Stock of the Company.

(o) "Stock Units" means investment units under the Deferred Delivery Plan, each of which is deemed to be equivalent to one share of Stock.

2.2 Gender and Number. Except when otherwise indicated by the context, the masculine gender shall also include the feminine gender, and the definition of any term herein in the singular shall also include the plural.

SECTION 3

PLAN ADMINISTRATION

3.1 Administration by the Committee.

(a) The Plan shall also be administered by the Committee. In accordance with the provisions of the Plan, the Committee shall, in its sole discretion, select the Participants from among the Eligible Employees, determine the Options to be granted pursuant to the Plan, the number of shares of Stock to be issued thereunder and the time at which such Options are to be granted, fix the Option Price, and establish such other terms and requirements as the Committee may deem necessary or desirable and consistent with the terms of the Plan. The Committee shall determine the form or forms of the agreements with Participants which shall evidence the particular provisions, terms, conditions, rights and duties of the Company and the Participants with respect to Options granted pursuant to the Plan, which provisions need not be identical except as may be provided herein.

(b) The Committee may from time to time adopt such rules and regulations for carrying out the purposes of the Plan as it may deem proper and in the best interests of the Company. The Committee may appoint an Administrative Agent, who need not be a member of the Committee or an employee of the Company, to assist the Committee in administration of the Plan

and to whom it may delegate such powers as the Committee deems appropriate, except that the Committee shall determine any dispute. The Committee may correct any defect, supply any omission or reconcile any inconsistency in the Plan or in any agreement entered into hereunder in the manner and to the extent it shall deem expedient and it shall be the sole and final judge of such expediency. No member of the Committee shall be liable for any action or determination made in good faith. The determination, interpretations and other actions of the committee pursuant to the provisions of the Plan shall be binding and conclusive for all purposes and on all persons.

SECTION 4

STOCK SUBJECT TO THE PLAN

4.1 Number of Shares. Two Million Fifty Thousand (2,050,000) shares of Stock are authorized for issuance under the Plan in accordance with the provisions of the Plan and subject to such restrictions or other provisions as the Committee may from time to time deem necessary. This authorization may be increased from time to time by approval of the Board and by the shareholders of the Company if, on the advice of counsel for the Company, such shareholder approval is required. Shares of Stock which may be issued upon exercise of Options shall be applied to reduce the maximum number of shares of Stock remaining available for use under the Plan. The Company shall at all times during the term of the Plan and while any Options are outstanding retain as authorized and unissued Stock, or as treasury Stock, at least the number of shares from time to time required under the provisions of the Plan, or otherwise assure itself of its ability to perform its obligations hereunder.

4.2 Other Shares of Stock. Any shares of Stock that are subject to an Option which expires or for any reason is terminated unexercised, and any shares of Stock that for any other reason are not issued to an Eligible Employee or are forfeited shall automatically become available for use under the Plan.

4.3 Adjustments for Stock Split, Stock Dividend, Etc. If the Company shall at any time increase or decrease the number of its outstanding shares of Stock or change in any way the rights and privileges of such shares by means of the payment of a stock dividend or any other distribution upon such shares payable in Stock, or through a stock split, subdivision, consolidation, combination, reclassification or recapitalization involving the Stock, then in relation to the Stock that is affected by one or more of the above events, the numbers, rights and privileges of the following shall be increased, decreased or changed in like manner as if they had been issued and outstanding, fully paid in nonassessable at the time of such occurrence: (i) the shares of Stock as to which Options may

be granted under the Plan; and (ii) the shares of the Stock then included in each outstanding Option granted hereunder.

4.4 Dividend Payable in Stock of Another Corporation, Etc. If the Company shall at any time pay or make any dividend or other distribution upon the Stock payable in securities or other property (except money or Stock), a proportionate part of such securities or other property shall be set aside and delivered to any Participant then holding an Option for the particular type of Stock for which the dividend or other distribution was made, upon exercise thereof. Prior to the time that any such securities or other property are delivered to a Participant in accordance with the foregoing, the Company shall be the owner of such securities or other property and shall have the right to vote the securities, receive any dividends payable on such securities, and in all other respects shall be treated as the owner. If securities or other property which have been set aside by the Company in accordance with this Section are not delivered to a Participant because an Option is not exercised, then such securities or other property shall remain the property of the Company and shall be dealt with by the Company as it shall determine in its sole discretion.

4.5 Other Changes in Stock. In the event there shall be any change, other than as specified in Sections 4.3 and 4.4, in the number or kind of outstanding shares of Stock or of any stock or other securities into which the Stock shall be changed or for which it shall have been exchanged, and if the Committee shall in its discretion determine that such change equitably requires an adjustment in the number or kind of shares subject to outstanding Options or which have been reserved for issuance pursuant to the Plan but are not then subject to an Option, then such adjustments shall be made by the Committee and shall be effective for all purposes of the Plan and on each outstanding Option that involves the particular type of stock for which a change was effected.

4.6 Rights to Subscribe. If the Company shall at any time grant to the holders of its Stock rights to subscribe pro rata for additional shares thereof or for any other securities of the Company or of any other corporation, there shall be reserved with respect to the shares then under Option to any Participant of the particular class of Stock involved the Stock or other securities which the Participant would have been entitled to subscribe for if immediately prior to such grant the Participant had exercised his entire Option. If, upon exercise of any such Option, the Participant subscribes for the additional shares of other securities, the aggregate Option Price shall be increased by the amount of the price that is payable by the Participant for such Stock or other securities.

4.7 General Adjustment Rules. No adjustment or substitution provided for in this Section 4 shall require the Company to sell a fractional share of Stock under

any Option, or otherwise issue a fractional share of Stock, and the total substitution or adjustment with respect to each Option shall be limited by deleting any fractional share. In the case of any such substitution or adjustment, the aggregate Option Price for the shares of Stock then subject to the Option shall remain unchanged but the Option Price per share under each such Option shall be equitably adjusted by the Committee to reflect the greater or lesser number of shares of Stock or other securities into which the Stock subject to the Option may have been changed.

4.8 Determination by the Committee, Etc. Adjustments under this Section 4 shall be made by the Committee, whose determinations with regard thereto shall be final and binding upon all parties.

SECTION 5

REORGANIZATION OR LIQUIDATION

In the event that the Company is merged or consolidated with another corporation and the Company is not the surviving corporation, or if all or substantially all of the assets or more than 20 percent of the outstanding voting stock of the Company is acquired by any other corporation, business entity or person, or in case of a reorganization (other than a reorganization under the United States Bankruptcy Code) or liquidation of the Company, and if the provisions of Section 9 do not apply, the Committee, or the board of directors of any corporation assuming the obligations of the Company, shall, as to the Plan and outstanding Options either (i) make appropriate provision for the adoption and continuation of the Plan by the acquiring or successor corporation and for the protection of any such outstanding Options by the substitution on an equitable basis of appropriate stock of the Company or of the merged, consolidated or otherwise reorganized corporation which will be issuable with respect to the Stock, provided that no additional benefits shall be conferred upon the Participants holding such Options as a result of such substitution, and the excess of the aggregate Fair Market Value of the shares subject to the Options immediately after such substitution over the aggregate Option Price thereof is not more than the excess of the aggregate Fair Market Value of the shares subject to such Options immediately before such substitution over the aggregate Option Price thereof, or (ii) upon written notice to the Participants, provide that all unexercised Options must be exercised within a specified number of days of the date of such notice or they will be terminated. In the latter event, the Committee shall accelerate the vesting dates of outstanding Options so that all Options become fully vested and exercisable prior to any such event.

SECTION 6

PARTICIPATION

Participants in the Plan shall be those Eligible Employees who, in the judgment of the Committee, are performing, or during the term of their incentive arrangement will perform, vital services in the management, operation and development of the Company or an Affiliated Corporation, and significantly contribute, or are expected to significantly contribute, to the achievement of long-term corporate economic objectives. Participants may be granted from time to time one or more Options; provided, however, that the grant of each such Option shall be separately approved by the Committee, and receipt of one such Option shall not result in automatic receipt of any other Option. Upon determination by the Committee that an Option is to be granted to a Participant, written notice shall be given to such person, specifying the terms, conditions, rights and duties related thereto. Each Participant shall, if required by the Committee, enter into an agreement with the Company, in such form as the Committee shall determine and which is consistent with the provisions of the Plan, specifying such terms, conditions, rights and duties. Options shall be deemed to be granted as of the date specified in the grant resolution of the Committee, which date shall be the date of any related agreement with the Participant. In the event of any inconsistency between the provisions of the Plan and any such agreement entered into hereunder, the provisions of the Plan shall govern.

SECTION 7

STOCK OPTIONS

7.1 Grant of Stock Options. Coincident with or following designation for participation in the Plan, a Participant may be granted one or more Options. In no event shall the exercise of one Option affect the right to exercise any other Option or affect the number of shares of Stock for which any other Option may be exercised, except as provided in subsection 7.2(j).

7.2 Stock Option Agreements. Each Option granted under the Plan shall be evidenced by a written stock option agreement which shall be entered into by the Company and the Participant to whom the Option is granted (the "Option Holder"), and which shall contain the following terms and conditions, as well as such other terms and conditions, not inconsistent therewith, as the Committee may consider appropriate in each case.

(a) Number of Shares. Each stock option agreement shall state that it covers a specified number of shares of the Stock, as determined by the Committee.

(b) Price. The price at which each share of Stock covered by an Option may be purchased shall be determined in each case by the Committee and set forth in the stock option agreement, but in no event shall the price be less than the Fair Market Value of the Stock on the date the Option is granted.

(c) Duration of Options; Employment Required For Exercise. Each stock option agreement shall state the period of time, determined by the Committee, within which the Option may be exercised by the Option Holder (the "Option Period"). The Option Period must end, in all cases, not more than ten years from the date an Option is granted. Except as otherwise provided in Sections 5 and 8 and subsection 7.2(d)(iv) hereof, each Option granted under the Plan shall become exercisable in increments such that 25 percent of the Option will become exercisable on each of the four subsequent one-year anniversaries of the date the Option is granted, but each such additional 25 percent increment shall become exercisable only if the Option Holder has been continuously employed by the Company from the date the Option is granted through the date on which each such additional 25 percent increment becomes exercisable.

(d) Termination of Employment, Death, Disability, Etc. Each stock option agreement shall provide as follows with respect to the exercise of the Option upon termination of the employment or the death of the Option Holder:

(i) If the employment of the Option Holder is terminated within the Option Period for cause, as determined by the Company, the Option shall thereafter be void for all purposes. As used in this subsection 7.2(d), "cause" shall mean a gross violation, as determined by the Company, of the Company's established policies and procedures, provided that the effect of this subsection 7.2(d) (i) shall be limited to determining the consequences of a termination and that nothing in this subsection 7.2(d) (i) shall restrict or otherwise interfere with the Company's discretion with respect to the termination of any employee.

(ii) If the Option Holder retires from employment by the Company or its affiliates on or after attaining age 60, the Option may be exercised by the Option Holder within 36 months following his or her retirement (provided that such exercise must occur within the Option Period), but not thereafter. In the event of the Option Holder's death during such 36-month period, each Option may be exercised by those entitled to do so in the manner referred to in (iv) below. In any such case, the Option may be exercised only as to the shares as to which the Option had become exercisable on or before the date of the Option Holder's retirement.

(iii) If the Option Holder becomes disabled (as determined pursuant to the Company's Long-Term Disability Plan), during the Option Period while still employed, or within the three-month period referred to in (v) below, or within the 36-month period referred to in (ii) above, the Option may be exercised by the Option Holder or by his or her guardian or legal representative, within twelve months following the Option Holder's disability, or within the 36-month period referred to in (ii) if applicable and if longer (provided that such exercise must occur within the Option Period), but not thereafter. In the event of the Option Holder's death during such twelve-month period, each Option may be exercised by those entitled to do so in the manner referred to in (iv) below. In any such case, the Option may be exercised only as to the shares as to which the Option had become exercisable on or before the date of the Option Holder's disability.

(iv) In the event of the Option Holder's death while still employed by the Company, each Option of the deceased Option Holder may be exercised by those entitled to do so under the Option Holder's will or under the laws of descent and distribution within twelve months following the Option Holder's death (provided that in any event such exercise must occur within the Option Period), but not thereafter, as to all shares of Stock which are subject to such Option, including each 25 percent increment of the Option, if any, which has not yet become exercisable at the time of the Option Holder's death. In the event of the Option Holder's death within the 36-month period referred to in (ii) above or within the twelve-month period referred to in (iii) above, each Option of the deceased Option Holder that is exercisable at the time of death may be exercised by those entitled to do so under the Option Holder's will or under the laws of descent and distribution within twelve months following the Option Holder's death or within the 36-month period referred to in (ii), if applicable and if longer (provided that in any event such exercise must occur within the Option Period). The provisions of this paragraph (iv) of subsection 7.2(d) shall be applicable to each Stock Option Agreement as if set forth therein word for word. Each Stock Option Agreement executed by the Company prior to the adoption of this provision shall be deemed amended to include the provisions of this paragraph and all Options granted pursuant to such Stock Option Agreements shall be exercisable as provided herein.

(v) If the employment of the Option Holder by the Company is terminated (which for this purpose means that the Option Holder is no longer employed by the Company or by an Affiliated Corporation) within the Option Period for any reason other than cause, retirement on or after attaining age 60, disability or the Option Holder's death, the Option may be exercised by the Option Holder within three months following the date of such termination (provided that such exercise must occur within the Option Period), but not thereafter. In any such case, the Option may be exercised only as to the shares as to which the

Option had become exercisable on or before the date of termination of employment.

(e) Transferability. Each stock option agreement shall provide that the Option granted therein is not transferable by the Option Holder except by will or pursuant to the laws of descent and distribution, and that such Option is exercisable during the Option Holder's lifetime only by him or her, or in the event of disability or incapacity, by his or her guardian or legal representative.

(f) Agreement to Continue in Employment. Each stock option agreement shall contain the Option Holder's agreement to remain in the employment of the Company, at the pleasure of the Company, for a continuous period of at least one year after the date of such stock option agreement, at the salary rate in effect on the date of such agreement or at such changed rate as may be fixed, from time to time, by the Company.

(g) Exercise, Payments, Etc.

(i) Each stock option agreement shall provide that the method for exercising the Option granted therein shall be by delivery to the Office of the Secretary of the Company or to the Administrative Agent of written notice specifying the number of shares of Stock with respect to which such Option is exercised and payment to the Company of the aggregate Option Price. Such notice shall be in a form satisfactory to the Committee and shall specify the particular Option (or portion thereof) which is being exercised and the number of shares of Stock with respect to which the Option is being exercised. The exercise of the Option shall be deemed effective upon receipt of such notice by the Office of the Secretary or by the Administrative Agent and payment is made to the Company of the aggregate Option Price (the "Exercise Date"); however, if payment of the aggregate Option Price is made pursuant to a sale of shares of Stock as contemplated by subsection 7.2(g)(iii)(F) below, the Exercise Date shall be deemed to be the date of such sale. If requested by the Company, such notice shall contain the Participant's representation that he or she is purchasing the Stock for investment purposes only and his or her agreement not to sell any stock so purchased in any manner that is in violation of the Securities Act of 1933, as amended, or any applicable state law, and such restriction, or notice thereof, shall be placed on the certificates representing the Stock so purchased. The purchase of such Stock shall take place upon delivery of such notice to the Office of the Secretary of the Company or to the Administrative Agent, at which time the aggregate Option Price shall be paid in full to the Company by any of the methods or any combination of the methods set forth in 7.2(g)(iii) below.

(ii) Except as referenced below in connection with the Deferred Delivery Plan, the shares of Stock to which the Participant is entitled as a result of the exercise of the Option shall be issued by the Company and (A) delivered by electronic means to an account designated by the Participant, or (B) delivered to the Participant in the form of a properly executed certificate or certificates representing such shares of Stock. If shares of Stock and/or Depository Shares are used to pay all or part of the aggregate Option Price, the Company shall issue and deliver to the Participant the additional shares of Stock, in excess of the aggregate Option Price or portion thereof paid using shares of Stock or Depository Shares, to which the Participant is entitled as a result of the Option exercise. If the Participant exercising an Option (x) is eligible for participation in the Deferred Delivery Plan, (y) pays the aggregate Option Price pursuant to 7(g)(iii)(A), (B), (C), (D) or (E) below, and (z) has made an irrevocable election at least six months prior to the Exercise Date as required under the Deferred Delivery Plan, the income resulting from the Option exercise shall be deferred into the Participant's Deferred Delivery Plan account and no additional shares of Stock shall be delivered to the Participant.

(iii) the aggregate Option Price shall be paid by any of the following methods or any combination of the following methods:

(A) in cash, including the wire transfer of funds in U.S. dollars to one of the Company's bank accounts located in the United States, with such bank account to be designated from time to time by the Company;

(B) by personal, certified or cashier's check payable in U.S. dollars to the order of the Company;

(C) by delivery to the Company or the Administrative Agent of certificates representing a number of shares of Stock then owned by the Participant, the aggregate Fair Market Value of which (as of the Exercise Date) is not greater than the aggregate Option Price of the Option being exercised, properly endorsed for transfer to the Company; provided that the shares of Stock used for this purpose must have been owned by the Participant for a period of at least six months;

(D) by certification or attestation to the Company or the Administrative Agent of the Participant's ownership (as of the Exercise Date) of the number of shares of Stock and/or Depository Shares, the aggregate Fair Market Value of which (as of the Exercise Date) is not greater than the aggregate Option Price of the Option being exercised, provided that the shares of Stock and/or Depository Shares used for this purpose have been owned by the Participant for a period of at least six months;

(E) if the income resulting from the Option exercise is to be deferred into the Participant's Deferred Delivery Plan account, by certification or attestation to the Company or the Administrative Agent of the Participant's ownership (as of the Exercise Date) of a number of vested Stock Units held in the Participant's Deferred Delivery Plan account, the equivalent aggregate Fair Market Value of which (as of the Exercise Date) is not greater than the aggregate Option Price of the Option being exercised, provided that the Stock Units used for this purpose were vested as of the Exercise Date; or

(F) by delivery to the Company or the Administrative Agent of a properly executed notice of exercise together with irrevocable instructions to a broker to promptly deliver to the Company, by wire transfer or check as noted in (A) and (B) above, the amount of the proceeds of the sale of all or a portion of the Stock or of a loan from the broker to the Option Holder necessary to pay the aggregate Option Price.

(iv) For purposes of the Plan, the income resulting from an Option exercise shall be based on the Fair Market Value of the Stock for the Exercise Date; however, if payment of the aggregate Option Price is made pursuant to a sale of shares of Stock as contemplated by subsection 7.2(g)(iii)(F) hereof, the Fair Market Value shall be deemed to be the per share sale price and the Exercise Date shall be deemed to be the date of such sale.

(h) Date of Grant. An option shall be considered as having been granted on the date specified in the grant resolution of the Committee.

(i) Tax Withholding. Each Stock Option Agreement shall provide that, upon exercise of the Option, the Participant shall make appropriate arrangements with the Company to provide for the amount of tax withholding required by Sections 3102 and 3402 or any successor section(s) of the Internal Revenue Code and applicable state and local income tax laws, including payment of such taxes in cash, by check or as provided in Section 13.2 hereof.

(j) Adjustment of Options. Subject to the provisions of Sections 4, 5, 7, 8 and 12, the Committee may make any adjustment in the number of shares covered by, or the terms of an outstanding Option and a subsequent granting of an Option, by amendment or by substitution of an outstanding Option; however, except as provided in Sections 4, 5, 8 and 12 hereof, the Committee may not adjust the exercise price of any outstanding Option. Such amendment or substitution may result in terms and conditions (including the number of shares covered, vesting schedule or exercise period) that differ from the terms and conditions of the original Option. The Committee may not, however, adversely

affect the rights of any Participant to previously granted Options without the consent of such Participant. If such action is effected by amendment, the effective date of such amendment will be the date of the original grant.

7.3 Shareholder Privileges. No Option Holder shall have any rights as a shareholder with respect to any shares of Stock covered by an Option until the Option Holder becomes the holder of record of such Stock, and no adjustments shall be made for dividends or other distributions or other rights as to which there is a record date preceding the date such Option Holder becomes the holder of record of such Stock, except as provided in Section 4.

SECTION 8

CHANGE OF CONTROL

8.1 In General. In the event of the occurrence of a change of control of the Company, as defined in Section 8.3 hereof, all outstanding Options shall become automatically vested, without further action by the Committee or the Board, so as to make all such Options fully vested and exercisable as of the date of such change of control.

8.2 Limitation on Payments. If the provisions of this Section 8 would result in the receipt by any Participant of a payment within the meaning of Section 280G of the Internal Revenue Code and the regulations promulgated thereunder and if the receipt of such payment by any Participant would, in the opinion of independent tax counsel of recognized standing selected by the Company, result in the payment by such Participant of any excise tax provided for in Sections 280G and 4999 of the Internal Revenue Code, then the amount of such payment shall be reduced to the extent required, in the opinion of independent tax counsel, to prevent the imposition of such excise tax; provided, however, that the Committee, in its sole discretion, may authorize the payment of all or any portion of the amount of such reduction to the Participant.

8.3 Definition. For purposes of the Plan, a "change of control" shall mean any of the events specified in the Company's Income Continuation Plan which constitute a change of control within the meaning of that Plan.

SECTION 9

RIGHTS OF EMPLOYEES, PARTICIPANTS

9.1 Employment. Nothing contained in the Plan or in any Option granted under the Plan shall confer upon any Participant any right with respect to the

continuation of his or her employment by the Company or any Affiliated Corporation, or interfere in any way with the right of the Company or any Affiliated Corporation, subject to the terms of any separate employment agreement to the contrary, at any time to terminate such employment or to increase or decrease the compensation of the Participant from the rate in existence at the time of the grant of an Option. Whether an authorized leave of absence, or absence in military or government service, shall constitute a termination of employment shall be determined by the Committee at the time.

9.2 Nontransferability. No right or interest of any Participant in an Option granted pursuant to the Plan shall be assignable or transferable during the lifetime of the Participant, either voluntarily or involuntarily, or subjected to any lien, directly or indirectly, by operation of law, or otherwise, including execution, levy, garnishment, attachment, pledge or bankruptcy. In the event of a Participant's death, a Participant's rights and interests in Options shall, to the extent provided in Section 7, be transferable by testamentary will or the laws of descent and distribution, and payment of any amounts due under the Plan shall be made to, and exercise of any Options may be made by, the Participant's legal representatives, heirs or legatees. If, in the opinion of the Committee, a person entitled to payments or to exercise rights with respect to the Plan is disabled from caring for his affairs because of mental condition, physical condition or age, payment due such person may be made to, and such rights shall be exercised by, such person's guardian, conservator or other legal personal representative upon furnishing the Committee with evidence of such status satisfactory to the Committee.

SECTION 10

GENERAL RESTRICTIONS

10.1 Investment Representations. The Company may require any person to whom an Option is granted, as a condition of exercising such Option, to give written assurances in substance and form satisfactory to the Company and its counsel to the effect that such person is acquiring the Stock subject to the Option for his own account for investment and not with any present intention of selling or otherwise distributing the same, and to such other effects as the Company deems necessary or appropriate in order to comply with Federal and applicable state securities laws.

10.2 Compliance with Securities Laws. Each Option shall be subject to the requirement that, if at any time counsel to the Company shall determine that the listing, registration or qualification of the shares subject to such Option upon any securities exchange or under any state or federal law, or the consent or approval

of any governmental or regulatory body, is necessary as a condition of, or in connection with, the issuance or purchase of shares thereunder, such Option may not be accepted or exercised in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained on conditions acceptable to the Committee. Nothing herein shall be deemed to require the Company to apply for or to obtain such listing, registration or qualification.

SECTION 11

OTHER EMPLOYEE BENEFITS

The amount of any income deemed to be received by a Participant as a result of an Option exercise shall not constitute "earnings" or "compensation" with respect to which any other employee benefits of such employee are determined including, without limitation benefits under any pension, profit sharing, life insurance or salary continuation plan.

SECTION 12

PLAN AMENDMENT, MODIFICATION AND TERMINATION

The Board may at any time terminate, and from time to time may amend or modify the Plan provided, however, that no amendment or modification may become effective without approval of the amendment or modification by the shareholders if shareholder approval is required to enable the Plan to satisfy any applicable statutory or regulatory requirements unless the Company, on the advice of counsel, determines that shareholder approval is otherwise necessary or desirable.

No amendment, modification or termination of the Plan shall in any manner adversely affect any Options theretofore granted under the Plan, without the consent of the Participant holding such Options.

The Committee shall have the authority to adopt such modifications, procedures and subplans as may be necessary or desirable to comply with the provisions of the laws (including, but not limited to, tax laws and regulations) of countries other than the United States in which the Company may operate, so as to assure the viability of the benefits of the Plan to Participants employed in such countries.

SECTION 13

WITHHOLDING

13.1 Withholding Requirement. The Company's obligations to deliver shares of Stock upon the exercise of an Option, or to defer income resulting from an Option exercise into the Deferred Delivery Plan, shall be subject to the Participant's satisfaction of all applicable federal, state and local income and other tax withholding requirements.

13.2 Satisfaction of Required Withholding. At the time the Committee grants an Option, it may, in its sole discretion, grant the Participant an election to pay all such amounts of required tax withholding, or any part thereof:

(a) by the delivery to the Company or the Administrative Agent of a number of shares of Stock then owned by the Participant, the aggregate Fair Market Value of which (as of the Exercise Date) is not greater than the amount required to be withheld, provided that such shares have been held by the Participant for a period of at least six months;

(b) by certification or attestation to the Company or the Administrative Agent of the Participant's ownership (as of the Exercise Date) of a number of shares of Stock and/or Depositary Shares, the aggregate Fair Market Value of which (as of the Exercise Date) is not greater than the amount required to be withheld, provided that such shares of Stock and/or Depositary Shares have been owned by the Participant for a period of at least six months;

(c) if the income resulting from the Option exercise is to be deferred into the Participant's Deferred Delivery Plan account, by certification or attestation to the Company or the Administrative Agent of the Participant's ownership (as of the Exercise Date) of a number of vested Stock Units held in the Participant's Deferred Delivery Plan account, the equivalent aggregate Fair Market Value of which (as of the Exercise Date) is not greater than the amount required to be withheld, provided that such Stock Units were vested as of the Exercise Date; or

(d) by the Company or the Administrative Agent withholding from the shares of Stock otherwise issuable to the Participant upon exercise of the Option, a number of shares of Stock, the aggregate Fair Market Value of which (as of the Exercise Date) is not greater than the amount required to be withheld. Any such elections by Participants to have shares of Stock withheld for this purpose will be subject to the following restrictions:

(i) all elections shall be made on or prior to the Exercise Date; and

(ii) all elections shall be irrevocable.

13.3 Excess Withholding. At the time the Committee grants an Option, it may, in its sole discretion, grant the Participant an election to pay additional or excess amounts of tax withholding, beyond the required amounts and up to the Participant's marginal tax rate:

(a) by delivery to the Company or the Administrative Agent of a number of Shares of Stock then owned by the Participant, the aggregate Fair Market Value of which (as of the Exercise Date) is not greater than such excess withholding amount, provided that such shares of Stock have been owned by the Participant for a period of at least six month; or

(b) by certification or attestation to the Company or the Administrative Agent of the Participant's ownership (as of the Exercise Date) of a number of shares of Stock and/or Depositary Shares, the aggregate Fair Market Value of which (as of the Exercise Date) is not greater than such excess withholding amount, provided that such shares of Stock and/or Depositary Shares have been owned by the Participant for a period of at least six months.

13.4 Section 16 Requirements. If the Participant is an officer or director of the Company within the meaning of Section 16 or any successor section(s) of the 1934 Act ("Section 16"), the Participant must satisfy the requirements of such Section 16 and any applicable rules and regulations thereunder with respect to the use of shares of Stock, Depositary Shares and/or Stock Units to satisfy such tax withholding obligation.

SECTION 14

REQUIREMENTS OF LAW

14.1 Requirements of Law. The issuance of stock and the payment of cash pursuant to the Plan shall be subject to all applicable laws, rules and regulations.

14.2 Federal Securities Law Requirements. If a Participant is an officer or director of the Company within the meaning of Section 16, Options granted hereunder shall be subject to all conditions required under Rule 16b-3, or any successor rule promulgated under the 1934 Act, to qualify the Option for any exception from the provisions of Section 16(b) of the 1934 Act available under that Rule. Such conditions are hereby incorporated herein by reference and shall be set forth in the Stock Option Agreement with the Participant which describes the Option.

14.3 Governing Law. The Plan and all agreements hereunder shall be construed in accordance with and governed by the laws of the State of Texas.

SECTION 15

DURATION OF THE PLAN

The Plan shall terminate at such time as may be determined by the Board of Directors, and no Option shall be granted after such termination. If not sooner terminated under the preceding sentence, the Plan shall fully cease and expire at midnight on September 18, 1995. Options outstanding at the time of the Plan termination may continue to be exercisable in accordance with the Stock Option Agreement pertaining to each such Option.

Dated: May 3, 2001

APACHE CORPORATION

ATTEST:

/s/ Cheri L. Peper

Cheri L. Peper
Corporate Secretary

By: /s/ Jeffrey M. Bender

Jeffrey M. Bender
Vice President, Human Resources

APACHE CORPORATION

1995 STOCK OPTION PLAN

(AS AMENDED AND RESTATED MAY 3, 2001;
EFFECTIVE AS OF MAY 1, 2001)

APACHE CORPORATION
1995 STOCK OPTION PLAN

(AS AMENDED AND RESTATED MAY 3, 2001;
EFFECTIVE AS OF MAY 1, 2001)

SECTION 1

INTRODUCTION

1.1 Establishment. Apache Corporation, a Delaware corporation (hereinafter referred to, together with its Affiliated Corporations (as defined in Section 2.1 hereof) as the "Company" except where the context otherwise requires), hereby establishes the Apache Corporation 1995 Stock Option Plan (the "Plan") for certain key employees of the Company. The Plan permits the grant of stock options to certain key employees of the Company.

1.2 Purposes. The purposes of the Plan are to provide the key management employees selected for participation in the Plan with added incentives to continue in the long-term service of the Company and to create in such employees a more direct interest in the future success of the operations of the Company by relating incentive compensation to increases in stockholder value, so that the income of the key management employees is more closely aligned with the interests of the Company's stockholders. The Plan is also designed to attract key employees and to retain and motivate participating employees by providing an opportunity for investment in the Company.

1.3 Effective Date. The Effective Date of the Plan (the "Effective Date") is May 4, 1995. This Plan and each option granted hereunder is conditioned on and shall be of no force or effect until approval of the Plan by the holders of the shares of voting stock of the Company unless the Company, on the advice of counsel, determines that stockholder approval is not necessary. The Committee (as defined in Section 2.1 hereof) may grant options the exercise of which shall be expressly subject to the condition that the Plan shall have been approved by the stockholders of the Company.

SECTION 2

DEFINITIONS

2.1 Definitions. The following terms shall have the meanings set forth below:

(a) "Administrative Agent" means any designee or agent that may be appointed by the Committee pursuant to Section 3.1(b) hereof.

(b) "Affiliated Corporation" means any corporation or other entity (including but not limited to a partnership) which is affiliated with Apache Corporation through stock ownership or otherwise and is treated as a common employer under the provisions of Sections 414(b) and (c) or any successor section(s) of the Internal Revenue Code.

(c) "Board" means the Board of Directors of the Company.

(d) "Committee" means the Stock Option Plan Committee of the Board, which is empowered hereunder to take actions in the administration of the Plan. The Committee shall be constituted at all times as to permit the Plan to comply with: (i) Rule 16b-3 or any successor rule(s) promulgated under the Securities Exchange Act of 1934, as amended (the "1934 Act"), and (ii) Section 162(m) or any successor section(s) of the Internal Revenue Code and the regulations promulgated thereunder.

(e) "Deferred Delivery Plan" means the Company's Deferred Delivery Plan, effective as of February 10, 2000 and as it may be amended from time to time, or any successor plan.

(f) "Depository Shares" means the depository shares representing the Company's preferred stock convertible into Stock.

(g) "Eligible Employees" means those full-time key employees (including, without limitation, officers and directors who are also employees) of the Company or any division thereof, upon whose judgment, initiative and efforts the Company is, or will become, largely dependent for the successful conduct of its business.

(h) "Fair Market Value" means the per share closing price of the Stock or Depository Shares, as applicable, as reported on the New York Stock Exchange, Inc. Composite Transactions Reporting System for a particular date. If on such date there are no transactions in the Stock or Depository Shares, as applicable, the Fair Market Value shall be determined as of the immediately preceding date on which there were transactions in the Stock or Depository Shares, as applicable.

(i) "Internal Revenue Code" means the Internal Revenue Code of 1986, as it may be amended from time to time.

(j) "Option" means a right to purchase shares of Stock at a stated price for a specified period of time. All Options granted under the Plan shall be Options which are not "incentive stock options" as described in Section 422 or any successor section(s) of the Internal Revenue Code.

(k) "Option Price" means the price at which shares of Stock subject to an Option may be purchased, determined in accordance with subsection 7.2(b) hereof.

(l) "Participant" means an Eligible Employee designated by the Committee from time to time during the term of the Plan to receive one or more Options under the Plan.

(m) "Stock" means the \$1.25 par value Common Stock of the Company.

(n) "Stock Units" means investment units under the Deferred Delivery Plan, each of which is deemed to be equivalent to one share of Stock.

2.2 Headings; Gender and Number. The headings contained in the Plan are for reference purposes only and shall not affect in any way the meaning or interpretation of the Plan. Except when otherwise indicated by the context, the masculine gender shall also include the feminine gender, and the definition of any term herein in the singular shall also include the plural.

SECTION 3

PLAN ADMINISTRATION

3.1 Administration by the Committee.

(a) The Plan shall be administered by the Committee. In accordance with the provisions of the Plan, the Committee shall, in its sole discretion, select the Participants from among the Eligible Employees, determine the Options to be granted pursuant to the Plan, the number of shares of Stock to be issued thereunder, the time at which such Options are to be granted, fix the Option Price, and establish such other terms and requirements as the Committee may deem necessary, or desirable and consistent with the terms of the Plan. The Committee shall determine the form or forms of the agreements with Participants which shall evidence the particular provisions, terms, conditions, rights and duties of the Company and the Participants with respect to Options granted pursuant to the Plan, which provisions need not be identical except as may be provided herein.

(b) The Committee may from time to time adopt such rules and regulations for carrying out the purposes of the Plan as it may deem proper and in the best interests of the Company. The Committee may appoint an Administrative Agent, who need not be a member of the Committee or an employee of the Company, to assist the Committee in administration of the Plan and to whom it may delegate such powers as the Committee deems appropriate, except that the Committee shall determine any dispute. The Committee may correct any defect, supply any omission or reconcile any inconsistency in the Plan, or in any agreement entered into hereunder, in the manner and to the extent it shall deem expedient and it shall be the sole and final judge of such expediency. No member of the Committee shall be liable for any action or determination made in good faith. The determination, interpretations and other actions of the Committee pursuant to the provisions of the Plan shall be binding and conclusive for all purposes and on all persons.

3.2 Compliance with Section 162(m).

The Plan is intended to comply with the requirements of Section 162 or any successor section(s) of the Internal Revenue Code ("Section 162") as to any "covered employee" as defined in Section 162, and shall be administered, interpreted and construed consistently therewith. In accordance with this intent, the amount of income a Participant may receive from Options granted under the Plan shall be based solely on an increase in the value of the Stock after the date of the grant of the Option, or such other bases as may be permitted by applicable law. The Committee is authorized to take such additional action, if any, that may be required to ensure that the Plan satisfies the requirements of Section 162 and the regulations promulgated or revenue rulings published thereunder.

SECTION 4

STOCK SUBJECT TO THE PLAN

4.1 Number of Shares. Subject to Section 7.1 and to adjustment pursuant to Section 4.3 hereof, two million five hundred thousand (2,500,000) shares of Stock are authorized for issuance under the Plan in accordance with the provisions of the Plan and subject to such restrictions or other provisions as the Committee may from time to time deem necessary. This authorization may be increased from time to time by approval of the Board and the stockholders of the Company if, on the advice of counsel for the Company, such stockholder approval is required. Shares of Stock which may be issued upon exercise of Options shall be applied to reduce the maximum number of shares of Stock remaining available for use under the Plan. The Company shall at all times during the term of the Plan and while any Options are outstanding retain as authorized and unissued Stock, or as Stock in the Company's treasury, at least the number of

shares from time to time required under the provisions of the Plan, or otherwise assure itself of its ability to perform its obligations hereunder.

4.2 Other Shares of Stock. Any shares of Stock that are subject to an Option which expires, is forfeited, is cancelled, or for any reason is terminated unexercised, and any shares of Stock that for any other reason are not issued to a Participant or are forfeited shall automatically become available for use under the Plan.

4.3 Adjustments for Stock Split, Stock Dividend, Etc. If the Company shall at any time increase or decrease the number of its outstanding shares of Stock or change in any way the rights and privileges of such shares by means of the payment of a Stock dividend or any other distribution upon such shares payable in Stock, or through a Stock split, subdivision, consolidation, combination, reclassification or recapitalization involving the Stock, then in relation to the Stock that is affected by one or more of the above events, the numbers, rights and privileges of the following shall be increased, decreased or changed in like manner as if they had been issued and outstanding, fully paid and nonassessable at the time of such occurrence: (i) the shares of Stock as to which Options may be granted under the Plan; and (ii) the shares of the Stock then included in each outstanding Option granted hereunder.

4.4 Dividend Payable in Stock of Another Corporation, Etc. If the Company shall at any time pay or make any dividend or other distribution upon the Stock payable in securities or other property (except money or Stock), a proportionate part of such securities or other property shall be set aside and delivered to any Participant then holding an Option for the particular type of Stock for which the dividend or other distribution was made, upon exercise thereof. Prior to the time that any such securities or other property are delivered to a Participant in accordance with the foregoing, the Company shall be the owner of such securities or other property and shall have the right to vote the securities, receive any dividends payable on such securities, and in all other respects shall be treated as the owner. If securities or other property which have been set aside by the Company in accordance with this Section are not delivered to a Participant because an Option is not exercised, then such securities or other property shall remain the property of the Company and shall be dealt with by the Company as it shall determine in its sole discretion.

4.5 Other Changes in Stock. In the event there shall be any change, other than as specified in Sections 4.3 and 4.4 hereof, in the number or kind of outstanding shares of Stock or of any stock or other securities into which the Stock shall be changed or for which it shall have been exchanged, and if the Committee shall in its discretion determine that such change equitably requires an adjustment in the number or kind of shares subject to outstanding Options or

which have been reserved for issuance pursuant to the Plan but are not then subject to an Option, then such adjustments shall be made by the Committee and shall be effective for all purposes of the Plan and on each outstanding Option that involves the particular type of stock for which a change was effected.

4.6 Rights to Subscribe. If the Company shall at any time grant to the holders of its Stock rights to subscribe pro rata for additional shares thereof or for any other securities of the Company or of any other corporation, there shall be reserved with respect to the shares then under Option to any Participant of the particular class of Stock involved the Stock or other securities which the Participant would have been entitled to subscribe for if immediately prior to such grant the Participant had exercised his entire Option. If, upon exercise of any such Option, the Participant subscribes for the additional shares or other securities, the aggregate Option Price shall be increased by the amount of the price that is payable by the Participant for such additional shares or other securities.

4.7 General Adjustment Rules. No adjustment or substitution provided for in this Section 4 shall require the Company to sell a fractional share of Stock under any Option, or otherwise issue a fractional share of Stock, and the total substitution or adjustment with respect to each Option shall be limited by deleting any fractional share. In the case of any such substitution or adjustment, the aggregate Option Price for the shares of Stock then subject to the Option shall remain unchanged but the Option Price per share under each such Option shall be equitably adjusted by the Committee to reflect the greater or lesser number of shares of Stock or other securities into which the Stock subject to the Option may have been changed.

4.8 Determination by the Committee, Etc. Adjustments under this Section 4 shall be made by the Committee, whose determinations with regard thereto shall be final and binding upon all parties.

SECTION 5

REORGANIZATION OR LIQUIDATION

In the event that the Company is merged or consolidated with another corporation and the Company is not the surviving corporation, or if all or substantially all of the assets or more than 20 percent of the outstanding voting stock of the Company is acquired by any other corporation, business entity or person, or in case of a reorganization (other than a reorganization under the United States Bankruptcy Code) or liquidation of the Company, and if the provisions of Section 8 hereof do not apply, the Committee, or the board of directors of any corporation assuming the obligations of the Company, shall, as to the Plan and outstanding

Options either (i) make appropriate provision for the adoption and continuation of the Plan by the acquiring or successor corporation and for the protection of any such outstanding Options by the substitution on an equitable basis of appropriate stock of the Company or of the merged, consolidated or otherwise reorganized corporation which will be issuable with respect to the Stock, provided that no additional benefits shall be conferred upon the Participants holding such Options as a result of such substitution, and the excess of the aggregate Fair Market Value of the shares subject to the Options immediately after such substitution over the aggregate Option Price thereof is not more than the excess of the aggregate Fair Market Value of the shares subject to such Options immediately before such substitution over the aggregate Option Price thereof, or (ii) upon written notice to the Participants, provide that all unexercised Options shall be exercised within a specified number of days of the date of such notice or such Options will be terminated. In the latter event, the Committee shall accelerate the vesting dates of outstanding Options so that all Options become fully vested and exercisable prior to any such event.

SECTION 6

PARTICIPATION

Participants in the Plan shall be those Eligible Employees who, in the judgment of the Committee, are performing, or during the term of their incentive arrangement will perform, vital services in the management, operation and development of the Company or an Affiliated Corporation, and significantly contribute, or are expected to significantly contribute, to the achievement of the Company's long-term corporate economic objectives. Participants may be granted from time to time one or more Options; provided, however, that the grant of each such Option shall be separately approved by the Committee, and receipt of one such Option shall not result in automatic receipt of any other Option. Upon determination by the Committee that an Option is to be granted to a Participant, written notice shall be given to such person, specifying the terms, conditions, rights and duties related thereto. Each Participant shall, if required by the Committee, enter into an agreement with the Company, in such form as the Committee shall determine and which is consistent with the provisions of the Plan, specifying such terms, conditions, rights and duties. Options shall be deemed to be granted as of the date specified in the grant resolution of the Committee, which date shall be the date of any related agreement with the Participant. In the event of any inconsistency between the provisions of the Plan and any such agreement entered into hereunder, the provisions of the Plan shall govern.

SECTION 7

STOCK OPTIONS

7.1 Grant of Stock Options. Coincident with or following designation for participation in the Plan, an Eligible Employee may be granted one or more Options. Grants of Options under the Plan shall be made by the Committee. In no event shall the exercise of one Option affect the right to exercise any other Option or affect the number of shares of Stock for which any other Option may be exercised, except as provided in subsection 7.2(j) hereof. During the life of the Plan, no Eligible Employee may be granted Options which in the aggregate pertain to in excess of 25 percent of the total shares of Stock authorized under the Plan.

7.2 Stock Option Agreements. Each Option granted under the Plan shall be evidenced by a written stock option agreement which shall be entered into by the Company and the Participant to whom the Option is granted (the "Stock Option Agreement"), and which shall contain the following terms and conditions, as well as such other terms and conditions, not inconsistent therewith, as the Committee may consider appropriate in each case.

(a) Number of Shares. Each Stock Option Agreement shall state that it covers a specified number of shares of Stock, as determined by the Committee.

(b) Price. The price at which each share of Stock covered by an Option may be purchased shall be determined in each case by the Committee and set forth in the Stock Option Agreement, but in no event shall the price be less than the Fair Market Value of the Stock on the date the Option is granted.

(c) Duration of Options; Employment Required For Exercise. Each Stock Option Agreement shall state the period of time, determined by the Committee, within which the Option may be exercised by the Participant (the "Option Period"). The Option Period must end, in all cases, not more than ten years from the date an Option is granted. Except as otherwise provided in Sections 5 and 8 and subsection 7.2(d)(iv) hereof, each Option granted under the Plan shall become exercisable in increments such that 25 percent of the Option will become exercisable on each of the four subsequent one-year anniversaries of the date the Option is granted, but each such additional 25-percent increment shall become exercisable only if the Participant has been continuously employed by the Company from the date the Option is granted through the date on which each such additional 25-percent increment becomes exercisable.

(d) Termination of Employment, Death, Disability, Etc. Each Stock Option Agreement shall provide as follows with respect to the exercise of the Option upon termination of the employment or the death of the Participant:

(i) If the employment of the Participant by the Company is terminated within the Option Period for cause, as determined by the Company, the Option shall thereafter be void for all purposes. As used in this subsection 7.2(d), "cause" shall mean a gross violation, as determined by the Company, of the Company's established policies and procedures, provided that the effect of this subsection 7.2(d) shall be limited to determining the consequences of a termination and that nothing in this subsection 7.2(d) shall restrict or otherwise interfere with the Company's discretion with respect to the termination of any employee.

(ii) If the Participant retires from employment by the Company on or after attaining age 60, the Option may be exercised by the Participant within 36 months following his or her retirement (provided that such exercise must occur within the Option Period), but not thereafter. In the event of the Participant's death during such 36-month period, each Option may be exercised by those entitled to do so in the manner referred to in (iv) below. In any such case, the Option may be exercised only as to the shares as to which the Option had become exercisable on or before the date of the Participant's retirement.

(iii) If the Participant becomes disabled (as determined pursuant to the Company's Long-Term Disability Plan or any successor plan), during the Option Period while still employed, or within the three-month period referred to in (v) below, or within the 36-month period referred to in (ii) above, the Option may be exercised by the Participant or by his or her guardian or legal representative, within twelve months following the Participant's disability, or within the 36-month period referred to in (ii) if applicable and if longer (provided that such exercise must occur within the Option Period), but not thereafter. In the event of the Participant's death during such twelve-month period, each Option may be exercised by those entitled to do so in the manner referred to in (iv) below. In any such case, the Option may be exercised only as to the shares of Stock as to which the Option had become exercisable on or before the date of the Participant's disability.

(iv) In the event of the Participant's death while still employed by the Company, each Option of the deceased Participant may be exercised by those entitled to do so under the Participant's will or under the laws of descent and distribution within twelve months following the Participant's death (provided that in any event such exercise must occur within the Option Period), but not thereafter, as to all shares of Stock which are subject to such Option, including each 25-percent increment of the Option, if any, which has not yet become exercisable at

the time of the Participant's death. In the event of the Participant's death within the 36-month period referred to in (ii) above or within the twelve-month period referred to in (iii) above, each Option of the deceased Participant that is exercisable at the time of death may be exercised by those entitled to do so under the Participant's will or under the laws of descent and distribution within twelve months following the Participant's death or within the 36-month period referred to in (ii), if applicable and if longer (provided that in any event such exercise must occur within the Option Period). The provisions of this paragraph (iv) of subsection 7.2(d) shall be applicable to each Stock Option Agreement as if set forth therein word for word. Each Stock Option Agreement executed by the Company prior to the adoption of this provision shall be deemed amended to include the provisions of this paragraph and all Options granted pursuant to such Stock Option Agreements shall be exercisable as provided herein.

(v) If the employment of the Participant by the Company is terminated (which for this purpose means that the Participant is no longer employed by the Company or by an Affiliated Corporation) within the Option Period for any reason other than cause, the Participant's retirement on or after attaining age 60, the Participant's disability or death, the Option may be exercised by the Participant within three months following the date of such termination (provided that such exercise must occur within the Option Period), but not thereafter. In any such case, the Option may be exercised only as to the shares as to which the Option had become exercisable on or before the date of termination of the Participant's employment.

(e) Transferability. Each Stock Option Agreement shall provide that the Option granted therein is not transferable by the Participant except by will or pursuant to the laws of descent and distribution, and that such Option is exercisable during the Participant's lifetime only by him or her, or in the event of the Participant's disability or incapacity, by his or her guardian or legal representative.

(f) Agreement to Continue in Employment. Each Stock Option Agreement shall contain the Participant's agreement to remain in the employment of the Company, at the pleasure of the Company, for a continuous period of at least one year after the date of such Stock Option Agreement, at the salary rate in effect on the date of such agreement or at such changed rate as may be fixed, from time to time, by the Company.

(g) Exercise, Payments, Etc.

(i) Each Stock Option Agreement shall provide that the method for exercising the Option granted therein shall be by delivery to the Office of the Secretary of the Company or to the Administrative Agent of written notice

specifying the number of shares of Stock with respect to which such Option is exercised and payment to the Company of the aggregate Option Price. Such notice shall be in a form satisfactory to the Committee and shall specify the particular Options (or portions thereof) which are being exercised and the number of shares of Stock with respect to which the Options are being exercised. The exercise of the Option shall be deemed effective on the date such notice is received by the Office of the Secretary or by the Administrative Agent and payment is made to the Company of the aggregate Option Price (the "Exercise Date"); however, if payment of the aggregate Option Price is made pursuant to a sale of shares of Stock as contemplated by subsection 7.2(g)(iii)(F) below, the Exercise Date shall be deemed to be the date of such sale. If requested by the Company, such notice shall contain the Participant's representation that he or she is purchasing the Stock for investment purposes only and his or her agreement not to sell any Stock so purchased in any manner that is in violation of the Securities Act of 1933, as amended, or any applicable state law, and such restriction, or notice thereof, shall be placed on the certificates representing the Stock so purchased. The purchase of such Stock shall take place upon delivery of such notice to the Office of the Secretary of the Company or to the Administrative Agent, at which time the aggregate Option Price shall be paid in full to the Company by any of the methods or any combination of the methods set forth in 7.2(g)(iii) below.

(ii) Except as referenced below in connection with the Deferred Delivery Plan, the shares of Stock to which the Participant is entitled as a result of the exercise of the Option shall be issued by the Company and (A) delivered by electronic means to an account designated by the Participant, or (B) delivered to the Participant in the form of a properly executed certificate or certificates representing such shares of Stock. If shares of Stock and/or Depositary Shares are used to pay all or part of the aggregate Option Price, the Company shall issue and deliver to the Participant the additional shares of Stock, in excess of the aggregate Option Price or portion thereof paid using shares of Stock or Depositary Shares, to which the Participant is entitled as a result of the Option exercise. If the Participant exercising an Option (x) is eligible for participation in the Deferred Delivery Plan, (y) pays the aggregate Option Price pursuant to 7.2(g)(iii)(A), (B), (C), (D) or (E) below, and (z) has made an irrevocable election at least six months prior to the Exercise Date as required under the Deferred Delivery Plan, the income resulting from the Option exercise shall be deferred into the Participant's Deferred Delivery Plan account and no additional shares of Stock shall be delivered to the Participant.

(iii) the aggregate Option Price shall be paid by any of the following methods or any combination of the following methods:

(A) in cash, including the wire transfer of funds in U.S. dollars to one of the Company's bank accounts located in the United States, with such bank account to be designated from time to time by the Company;

(B) by personal, certified or cashier's check payable in U.S. dollars to the order of the Company;

(C) by delivery to the Company or the Administrative Agent of certificates representing a number of shares of Stock then owned by the Participant, the aggregate Fair Market Value of which (as of the Exercise Date) is not greater than the aggregate Option Price of the Option being exercised, properly endorsed for transfer to the Company; provided that the shares of Stock used for this purpose must have been owned by the Participant for a period of at least six months;

(D) by certification or attestation to the Company or the Administrative Agent of the Participant's ownership as of the Exercise Date of the number of shares of Stock and/or Depositary Shares, the aggregate Fair Market Value of which (as of the Exercise Date) is not greater than the aggregate Option Price of the Option being exercised, provided that the shares of Stock and/or Depositary Shares used for this purpose have been owned by the Participant for a period of at least six months;

(E) if the income resulting from the Option exercise is to be deferred into the Participant's Deferred Delivery Plan account, by certification or attestation to the Company or the Administrative Agent of the Participant's ownership (as of the Exercise Date) of a number of vested Stock Units held in the Participant's Deferred Delivery Plan account, the equivalent aggregate Fair Market Value of which (as of the Exercise Date) is not greater than the aggregate Option Price of the Option being exercised, provided that the Stock Units used for this purpose were vested as of the Exercise Date; or

(F) by delivery to the Company or the Administrative Agent of a properly executed notice of exercise together with irrevocable instructions to a broker to promptly deliver to the Company, by wire transfer or check as noted in (A) and (B) above, the amount of the proceeds of the sale of all or a portion of the Stock or of a loan from the broker to the Participant necessary to pay the aggregate Option Price.

(iv) For purposes of the Plan, the income resulting from an Option exercise shall be based on the Fair Market Value of the Stock for the Exercise Date; however, if payment of the aggregate Option Price is made pursuant to a sale of shares of Stock as contemplated by subsection 7.2(g)(iii)(F) hereof, the

Fair Market Value shall be deemed to be the per share sale price and the Exercise Date shall be deemed to be the date of such sale.

(h) Date of Grant. An Option shall be considered as having been granted on the date specified in the grant resolution of the Committee.

(i) Tax Withholding. Each Stock Option Agreement shall provide that, upon exercise of the Option, the Participant shall make appropriate arrangements with the Company to provide for the amount of tax withholding required by Sections 3102 and 3402 or any successor section(s) of the Internal Revenue Code and applicable state and local income tax laws, including payment of such taxes in cash, by check or as provided in Section 13.2 hereof.

(j) Adjustment of Options. Subject to the provisions of Sections 4, 5, 7, 8 and 12 hereof, the Committee may make any adjustment in the number of shares of Stock covered by, or the terms of an outstanding Option and a subsequent granting of an Option, by amendment or by substitution for an outstanding Option; however, except as provided in Sections 4, 5, 8 and 12 hereof, the Committee may not adjust the Option Price of any outstanding Option. Such amendment or substitution may result in terms and conditions (including the number of shares of Stock covered, vesting schedule or Option Period) that differ from the terms and conditions of the original Option. The Committee may not, however, adversely affect the rights of any Participant to previously granted Options without the consent of such Participant. If such action is effected by amendment, the effective date of such amendment will be the date of grant of the original Option.

7.3 Stockholder Privileges. No Participant shall have any rights as a stockholder with respect to any shares of Stock covered by an Option until the Participant becomes the holder of record of such Stock. Except as provided in Section 4 hereof, no adjustments shall be made for dividends or other distributions or other rights as to which there is a record date preceding the date on which such Participant becomes the holder of record of such Stock.

SECTION 8

CHANGE OF CONTROL

8.1 In General. In the event of the occurrence of a change of control of the Company, as defined in Section 8.3 hereof, all outstanding Options shall become automatically vested, without further action by the Committee or the Board, so as to make all such Options fully vested and exercisable as of the date of such change of control.

8.2 Limitation on Payments. If the provisions of this Section 8 would result in the receipt by any Participant of a payment within the meaning of Section 280G or any successor section(s) of the Internal Revenue Code, and the regulations promulgated thereunder, and if the receipt of such payment by any Participant would, in the opinion of independent tax counsel of recognized standing selected by the Company, result in the payment by such Participant of any excise tax provided for in Sections 280G and 4999 or any successor section(s) of the Internal Revenue Code, then the amount of such payment shall be reduced to the extent required, in the opinion of independent tax counsel, to prevent the imposition of such excise tax; provided, however, that the Committee, in its sole discretion, may authorize the payment of all or any portion of the amount of such reduction to the Participant.

8.3 Definition. For purposes of the Plan, a "change of control" shall mean any of the events specified in the Company's Income Continuance Plan or any successor plan which constitute a change of control within the meaning of such plan.

SECTION 9

RIGHTS OF EMPLOYEES, PARTICIPANTS

9.1 Employment. Nothing contained in the Plan or in any Option granted under the Plan shall confer upon any Participant any right with respect to the continuation of his or her employment by the Company or any Affiliated Corporation, or interfere in any way with the right of the Company or any Affiliated Corporation, subject to the terms of any separate employment agreement to the contrary, at any time to terminate such employment or to increase or decrease the level of the Participant's compensation from the level in existence at the time of the grant of an Option. Whether an authorized leave of absence, or absence in military or government service, shall constitute a termination of employment shall be determined by the Committee at the time.

9.2 Nontransferability. No right or interest of any Participant in an Option granted pursuant to the Plan shall be assignable or transferable during the lifetime of the Participant, either voluntarily or involuntarily, or subjected to any lien, directly or indirectly, by operation of law, or otherwise, including execution, levy, garnishment, attachment, pledge or bankruptcy. In the event of a Participant's death, a Participant's rights and interests in Options shall, to the extent provided in Section 7 hereof, be transferable by testamentary will or the laws of descent and distribution, and payment of any amounts due under the Plan shall be made to, and exercise of any Options may be made by, the Participant's legal representatives, heirs or legatees. If in the opinion of the Committee, a person entitled to payments or to exercise rights with respect to the Plan is

disabled from caring for his or her affairs because of mental condition, physical condition or age, payment due such person may be made to, and such rights shall be exercised by, such person's guardian, conservator or other legal personal representative upon furnishing the Committee with evidence of such status satisfactory to the Committee.

SECTION 10

GENERAL RESTRICTIONS

10.1 Investment Representations. The Company may require a Participant, as a condition of exercising an Option, to give written assurances in substance and form satisfactory to the Company and its counsel to the effect that such person is acquiring the Stock subject to the Option for his own account for investment and not with any present intention of selling or otherwise distributing the same, and to such other effects as the Company deems necessary or appropriate in order to comply with federal and applicable state securities laws.

10.2 Compliance with Securities Laws. Each Option shall be subject to the requirement that, if at any time counsel to the Company shall determine that the listing, registration or qualification of the shares of Stock subject to such Option upon any securities exchange or under any state or federal law, or the consent or approval of any governmental or regulatory body, is necessary as a condition of, or in connection with, the issuance or purchase of shares of Stock thereunder, such Option may not be accepted or exercised in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained on conditions acceptable to the Committee. Nothing herein shall be deemed to require the Company to apply for or to obtain such listing, registration, qualification, consent or approval.

SECTION 11

OTHER EMPLOYEE BENEFITS

The amount of any income deemed to be received by a Participant as a result of an Option exercise shall not constitute "earnings" or "compensation" with respect to which any other employee benefits of such Participant are determined including, without limitation benefits under any pension, profit sharing, life insurance or salary continuation plan.

SECTION 12

PLAN AMENDMENT, MODIFICATION AND TERMINATION

The Board may at any time terminate, and from time to time may amend or modify the Plan provided, however, that no amendment or modification may become effective without approval of the amendment or modification by the Company's stockholders if stockholder approval is required to enable the Plan to satisfy any applicable statutory or regulatory requirements unless the Company, on the advice of counsel, determines that stockholder approval is otherwise necessary or desirable.

No amendment, modification or termination of the Plan shall in any manner adversely affect any Option theretofore granted under the Plan, without the consent of the Participant holding such Option.

The Committee shall have the authority to adopt such modifications, procedures and subplans as may be necessary or desirable to comply with the provisions of the laws (including, but not limited to, tax laws and regulations) of countries other than the United States in which the Company may operate, so as to assure the viability of the benefits of the Plan to Participants employed in such countries.

SECTION 13

WITHHOLDING

13.1 Withholding Requirement. The Company's obligations to deliver shares of Stock upon the exercise of an Option, or to defer income resulting from an Option exercise into the Deferred Delivery Plan, shall be subject to the Participant's satisfaction of all applicable federal, state and local income and other tax withholding requirements.

13.2 Satisfaction of Required Withholding. At the time the Committee grants an Option, it may, in its sole discretion, grant the Participant an election to pay all such amounts of required tax withholding, or any part thereof:

(a) by the delivery to the Company or the Administrative Agent of a number of shares of Stock then owned by the Participant, the aggregate Fair Market Value of which (as of the Exercise Date) is not greater than the amount required to be withheld, provided that such shares have been held by the Participant for a period of at least six months;

(b) by certification or attestation to the Company or the Administrative Agent of the Participant's ownership (as of the Exercise Date) of a number of shares of Stock and/or Depositary Shares, the aggregate Fair Market Value of which (as of the Exercise Date) is not greater than the amount required to be withheld, provided that such shares of Stock and/or Depositary Shares have been owned by the Participant for a period of at least six months;

(c) if the income resulting from the Option exercise is to be deferred into the Participant's Deferred Delivery Plan account, by certification or attestation to the Company or the Administrative Agent of the Participant's ownership (as of the Exercise Date) of a number of vested Stock Units held in the Participant's Deferred Delivery Plan account, the equivalent aggregate Fair Market Value of which (as of the Exercise Date) is not greater than the amount required to be withheld, provided that such Stock Units were vested as of the Exercise Date; or

(d) by the Company or the Administrative Agent withholding from the shares of Stock otherwise issuable to the Participant upon exercise of the Option, a number of shares of Stock, the aggregate Fair Market Value of which (as of the Exercise Date) is not greater than the amount required to be withheld. Any such elections by Participants to have shares of Stock withheld for this purpose will be subject to the following restrictions:

(i) all elections shall be made on or prior to the Exercise Date; and

(ii) all elections shall be irrevocable.

13.3 Excess Withholding. At the time the Committee grants an Option, it may, in its sole discretion, grant the Participant an election to pay additional or excess amounts of tax withholding, beyond the required amounts and up to the Participant's marginal tax rate:

(a) by delivery to the Company or the Administrative Agent of a number of Shares of Stock then owned by the Participant, the aggregate Fair Market Value of which (as of the Exercise Date) is not greater than such excess withholding amount, provided that such shares of Stock have been owned by the Participant for a period of at least six months; or

(b) by certification or attestation to the Company or the Administrative Agent of the Participant's ownership (as of the Exercise Date) of a number of shares of Stock and/or Depositary Shares, the aggregate Fair Market Value of which (as of the Exercise Date) is not greater than such excess withholding amount, provided that such shares of Stock and/or Depositary Shares have been owned by the Participant for a period of at least six months.

13.4 Section 16 Requirements. If the Participant is an officer or director of the Company within the meaning of Section 16 or any successor section(s) of the 1934 Act ("Section 16"), the Participant must satisfy the requirements of such Section 16 and any applicable rules and regulations thereunder with respect to the use of shares of Stock, Depositary Shares and/or Stock Units to satisfy such tax withholding obligation.

SECTION 14

REQUIREMENTS OF LAW

14.1 Requirements of Law. The issuance of Stock and the payment of cash pursuant to the Plan shall be subject to all applicable laws, rules and regulations.

14.2 Federal Securities Laws Requirements. If a Participant is an officer or director of the Company within the meaning of Section 16, Options granted hereunder shall be subject to all conditions required under Rule 16b-3, or any successor rule(s) promulgated under the 1934 Act, to qualify the Option for any exception from the provisions of Section 16 available under such Rule. Such conditions are hereby incorporated herein by reference and shall be set forth in the Stock Option Agreement with the Participant which describes the Option.

14.3 Governing Law. The Plan and all Stock Option Agreements hereunder shall be construed in accordance with and governed by the laws of the State of Texas.

SECTION 15

DURATION OF THE PLAN

The Plan shall terminate at such time as may be determined by the Board, and no Option shall be granted after such termination. If not sooner terminated under the preceding sentence, the Plan shall fully cease and expire at midnight on May 4, 2000. Options outstanding at the time of the Plan termination shall continue to be exercisable in accordance with the Stock Option Agreement pertaining to each such Option.

Dated: May 3, 2001

APACHE CORPORATION

ATTEST:

/s/ Cheri L. Peper

Cheri L. Peper
Corporate Secretary

By: /s/ Jeffrey M. Bender

Jeffrey M. Bender
Vice President, Human Resources

APACHE CORPORATION

1996 PERFORMANCE STOCK OPTION PLAN

(AS AMENDED AND RESTATED MAY 3, 2001)

APACHE CORPORATION
1996 PERFORMANCE STOCK OPTION PLAN
(AS AMENDED AND RESTATED MAY 3, 2001)

SECTION 1

INTRODUCTION

1.1 Establishment. Apache Corporation, a Delaware corporation (hereinafter referred to, together with its Affiliated Corporations (as defined in Section 2.1 hereof) as the "Company" except where the context otherwise requires), hereby establishes the Apache Corporation 1996 Performance Stock Option Plan (the "Plan") for certain employees of the Company.

1.2 Purposes. The primary purpose of this Plan is to provide the participating employees of the Company with added incentives to focus their energies on achieving significant stock price appreciation for the balance of the decade by providing a meaningful stock based performance plan which provides accelerated vesting incentives to attain the prices of \$50 and \$60 per share of Apache Corporation common stock, respectively, before January 1, 2000. Additional purposes of this Plan include the retention of existing valued employees and as an additional inducement in the recruitment of talented personnel in a competitive environment.

1.3 Effective Date. The Effective Date of the Plan (the "Effective Date") is October 31, 1996.

SECTION 2

DEFINITIONS

2.1 Definitions. The following terms shall have the meanings set forth below:

(a) "Administrative Agent" means any designee or agent that may be appointed by the Committee pursuant to Section 3.1(b) hereof.

(b) "Affiliated Corporation" means any corporation or other entity (including but not limited to a partnership) which is affiliated with Apache Corporation through stock ownership or otherwise and is treated as a common

employer under the provisions of Sections 414(b) and (c) or any successor section(s) of the Internal Revenue Code.

(c) "Base Salary" means, with regard to any Participant, such Participant's base compensation as an employee of the Company at the date of grant of an Option, without regard to any bonus, pension, profit sharing, stock option, life insurance or salary continuation plan which the Participant either receives or is otherwise entitled to have paid on his behalf.

(d) "Board" means the Board of Directors of the Company.

(e) "Committee" means the Stock Option Plan Committee of the Board.

(f) "Depository Shares" means the depository shares representing the Company's preferred stock convertible into Stock.

(g) "Eligible Employees" means any full-time employee of the Company or any division thereof who is not a participant under the Apache Corporation 1996 Share Price Appreciation Plan.

(h) "Exercise Date" has the meaning set forth in Section 7.3(i).

(i) "Fair Market Value" means the per share closing price of the Stock or Depository Shares, as applicable, as reported on The New York Stock Exchange, Inc. Composite Transactions Reporting System for a particular date. If on such date there are no transactions in the Stock or Depository Shares, as applicable, the Fair Market Value shall be determined as of the immediately preceding date on which there were transactions in the Stock or Depository Shares, as applicable.

(j) "Final Amount" has the meaning set forth in Section 7.2.

(k) "Final Price Threshold Date" means the last of any 10 trading days (which need not be consecutive) during any period of 30 consecutive trading days occurring prior to January 1, 2000, but not thereafter, on each of which 10 days the closing price of the Stock as reported on The New York Stock Exchange, Inc. Composite Transactions Reporting System has equaled or exceeded \$60 per share. If the above trading criteria is met more than once, the first occurrence shall be deemed to be the Final Price Threshold Date.

(l) "First Category" has the meaning set forth in Section 7.2.

(m) "Initial Amount" has the meaning set forth in Section 7.2.

(n) "Initial Price Threshold Date" means the last of any 10 trading days (which need not be consecutive) during any period of 30 consecutive trading days occurring prior to January 1, 2000, but not thereafter, on each of which 10 days the closing price of the Stock as reported on The New York Stock Exchange, Inc. Composite Transactions Reporting System has equaled or exceeded \$50 per share. If the above trading criteria is met more than once, the first occurrence shall be deemed to be the Initial Price Threshold Date.

(o) "Internal Revenue Code" means the Internal Revenue Code of 1986, as it may be amended from time to time.

(p) "Option" means a right to purchase shares of Stock at a stated price for a specified period of time. All Options granted under the Plan shall be Options which are not "incentive stock options" as described in Section 422 or any successor section(s) of the Internal Revenue Code.

(q) "Option Agreement" has the meaning set forth in Section 7.1.

(r) "Option Period" has the meaning set forth in Section 7.3(c).

(s) "Option Price" means the price at which shares of Stock subject to an Option may be purchased, determined in accordance with Section 7.3(b) hereof.

(t) "Participant" means an Eligible Employee designated by the Committee from time to time during the term of the Plan to receive an Option under the Plan.

(u) "Price Threshold Date" means either the Initial Price Threshold Date or the Final Price Threshold Date, as the context may require.

(v) "Second Category" has the meaning set forth in Section 7.2.

(w) "Stock" means the \$1.25 par value Common Stock of the Company.

2.2 Headings; Gender and Number. The headings contained in the Plan are for reference purposes only and shall not affect in any way the meaning or interpretation of the Plan. Except when otherwise indicated by the context, the masculine gender shall also include the feminine gender, and the definition of any term herein in the singular shall also include the plural.

SECTION 3

PLAN ADMINISTRATION

3.1 Administration by the Committee.

(a) The Plan shall be administered by the Committee. In accordance with the provisions of the Plan, the Committee shall, in its sole discretion, select the Participants from among the Eligible Employees, determine the Options to be granted pursuant to the Plan, the time at which such Options are to be granted, and establish such other terms and requirements as the Committee may deem necessary or desirable and consistent with the terms of the Plan. The Committee shall determine the form or forms of the Option Agreements with Participants which shall evidence the particular provisions, terms, conditions, rights and duties of the Company and the Participants with respect to Options granted pursuant to the Plan, which provisions need not be identical except as may be provided herein.

(b) The Committee may from time to time adopt such rules and regulations for carrying out the purposes of the Plan as it may deem proper and in the best interests of the Company. The Committee may appoint an Administrative Agent, who need not be a member of the Committee or an employee of the Company, to assist the Committee in administration of the Plan and to whom it may delegate such powers as the Committee deems appropriate, except that the Committee shall determine any dispute. The Committee may correct any defect, supply any omission or reconcile any inconsistency in the Plan, or in any agreement entered into hereunder, in the manner and to the extent it shall deem expedient and it shall be the sole and final judge of such expediency. No member of the Committee shall be liable for any action or determination made in good faith. The determinations, interpretations and other actions of the Committee pursuant to the provisions of the Plan shall be binding and conclusive for all purposes and on all persons.

SECTION 4

STOCK SUBJECT TO THE PLAN

4.1 Number of Shares. Subject to Section 7.1 and Section 4.3, one million three hundred thousand (1,300,000) shares of Stock are authorized for issuance under the Plan in accordance with its terms and subject to such restrictions or

other provisions as the Committee may from time to time deem necessary. This authorization may be increased from time to time by approval of the Board and the stockholders of the Company if, on the advice of counsel for the Company, such stockholder approval is required. Shares of Stock which may be issued pursuant to the terms of the Options granted hereunder shall be applied to reduce the maximum number of shares of Stock remaining available for use under the Plan. The Company shall at all times during the term of the Plan and while any Options are outstanding retain as authorized and unissued Stock and/or Stock in the Company's treasury, at least the number of shares from time to time required under the provisions of the Plan, or otherwise assure itself of its ability to perform its obligations hereunder.

4.2 Other Shares of Stock. Any shares of Stock that are subject to an Option which expires, is forfeited, is canceled, or for any reason is terminated, and any shares of Stock that for any other reason are not issued to a Participant or are forfeited shall automatically become available for use under the Plan.

4.3 Adjustments for Stock Split, Stock Dividend, etc. If the Company shall at any time increase or decrease the number of its outstanding shares of Stock or change in any way the rights and privileges of such shares by means of the payment of a Stock dividend or any other distribution upon such shares payable in Stock, or through a Stock split, subdivision, consolidation, combination, reclassification or recapitalization involving the Stock, then in relation to the Stock that is affected by one or more of the above events, the numbers, rights and privileges of the following shall be increased, decreased or changed in like manner as if they had been issued and outstanding, fully paid and nonassessable at the time of such occurrence: (i) the shares of Stock as to which Options may be granted under the Plan; and (ii) the shares of the Stock then included in each outstanding Option granted hereunder.

4.4 Dividend Payable in Stock of Another Corporation. If the Company shall at any time pay or make any dividend or other distribution upon the Stock payable in securities or other property (except money or Stock), a proportionate part of such securities or other property shall be set aside and delivered to any Participant then holding an Option for the particular type of Stock for which the dividend or other distribution was made, upon exercise thereof. Prior to the time that any such securities or other property are delivered to a Participant in accordance with the foregoing, the Company shall be the owner of such securities or other property, and in all other respects shall be treated as the owner. If securities or other property which have been set aside by the Company in accordance with this Section are not delivered to a Participant because an Option is not exercised, then such securities or other property shall remain the property of the Company and shall be dealt with by the Company as it shall determine in its sole discretion.

4.5 Other Changes in Stock. In the event there shall be any change, other than as specified in Sections 4.3 and 4.4 hereof, in the number or kind of outstanding shares of Stock or of any stock or other securities into which the Stock shall be changed or for which it shall have been exchanged, and if the Committee shall in its discretion determine that such change equitably requires an adjustment in the number or kind of shares subject to outstanding Options or which have been reserved for issuance pursuant to the Plan but are not then subject to an Option, then such adjustments shall be made by the Committee and shall be effective for all purposes of the Plan and on each outstanding Option that involves that particular type of stock for which a change was effected.

4.6 Rights to Subscribe. If the Company shall at any time grant to the holders of its Stock rights to subscribe pro rata for additional shares thereof or for any other securities of the Company or of any other corporation, there shall be reserved with respect to the shares then under Option to any Participant of the particular class of Stock involved the Stock or other securities which the Participant would have been entitled to subscribe for if immediately prior to such grant the Participant had exercised his entire Option. If, upon exercise of any such Option, the Participant subscribes for the additional shares or other securities, the aggregate Option Price shall be increased by the amount of the price that is payable by the Participant for such additional shares or other securities.

4.7 General Adjustment Rules. No adjustment or substitution provided for in this Section 4 shall require the Company to sell a fractional share of Stock under any Option, or otherwise issue a fractional share of Stock, and the total substitution or adjustment with respect to each Option shall be limited by deleting any fractional share. In the case of any such substitution or adjustment, the aggregate Option Price for the shares of Stock then subject to the Option shall remain unchanged but the Option Price per share under each such Option shall be equitably adjusted by the Committee to reflect the greater or lesser number of shares of Stock or other securities into which the Stock subject to the Option may have been changed.

4.8 Determination by the Committee, etc. Adjustments under this Section 4 shall be made by the Committee, whose determinations with regard thereto shall be final and binding upon all parties.

SECTION 5

REORGANIZATION OR LIQUIDATION

In the event that the Company is merged or consolidated with another corporation and the Company is not the surviving corporation, or if all or substantially all of the assets or more than 20 percent of the outstanding voting stock of the Company is acquired by any other corporation, business entity or person, or in case of a reorganization (other than a reorganization under the United States Bankruptcy Code) or liquidation of the Company, and if the provisions of Section 8 hereof do not apply, the Committee, or the board of directors of any corporation assuming the obligations of the Company, shall, as to the Plan and outstanding Options either (i) make appropriate provision for the adoption and continuation of the Plan by the acquiring or successor corporation and for the protection of any such outstanding Options by the substitution on an equitable basis of appropriate stock of the Company or of the merged, consolidated or otherwise reorganized corporation which will be issuable with respect to the Stock, provided that no additional benefits shall be conferred upon the Participants holding such Options as a result of such substitution, and the excess of the aggregate Fair Market Value of the shares subject to such Options immediately after such substitution over the aggregate Option Price thereof is not more than the excess of the aggregate Fair Market Value of the shares subject to such Options immediately before such substitution over the aggregate Option Price thereof, or (ii) upon written notice to the Participants, provide that all unexercised Options shall be exercised within a specified number of days of the date of such notice or such Options will be terminated. In the latter event, the Committee shall accelerate the vesting dates of outstanding Options so that all Options become fully vested and exercisable prior to any such event.

SECTION 6

PARTICIPATION

Participants in the Plan receiving First Category Options may be any Eligible Employee in the discretion of the Committee. Participants in the Plan receiving Second Category Options shall be those Eligible Employees who, in the judgment of the Committee, are performing, or during the term of their incentive arrangement are expected to perform, important services in the management, operation and development of the Company or an Affiliated Corporation, and contribute, or are expected to contribute, to the achievement of the Company's long-term corporate economic objectives. Upon determination by the Committee

that an Option is to be granted to a Participant, written notice shall be given to such person, specifying the terms, conditions, rights and duties related thereto. Options shall be deemed to be granted as of the date specified in the granting resolution of the Committee, which date also shall be the date of the Option Agreement with the Participant. In the event of any inconsistency between the provisions of the Plan and any Option Agreement, the provisions of the Plan shall govern.

SECTION 7

OPTIONS

7.1 Grants. Each Participant may be granted only one Option under this Plan. Each Option granted by the Committee shall be evidenced by a written agreement entered into by the Company and the Participant to whom the Option is granted (the "Option Agreement"), which shall contain the terms and conditions set out in this Section 7, as well as such other terms and conditions, not inconsistent therewith, as the Committee may consider appropriate.

7.2 Option Agreements. There shall be two categories of Options issued under this Plan as follows:

(a) The first category of Option ("First Category") shall have a total of two hundred (200) shares of Stock issuable to a Participant upon exercise; and

(b) The second category of Option ("Second Category") shall vary by Participant and, as to any Participant, shall have a total number of shares of Stock issuable upon exercise which equals the sum of the Initial Amount and the Final Amount.

For purposes of this Plan, the term "Initial Amount" means such number of shares (rounded to the nearest full share) which equals not more than one (1) times such Participant's Base Salary divided by the difference between \$50 and the Option Price. The term "Final Amount" means such number of shares (rounded to the nearest full share) which equals not more than one and one-half (1.5) times such Participant's Base Salary divided by the difference between \$60 and the Option Price.

7.3 Common Terms. Subject to Section 7.2 and Section 7.5, each Option Agreement entered into by the Company and the Participants shall contain at least the following terms and conditions:

(a) Number of Shares. Each Option Agreement shall set forth a specified number of shares of Stock issuable upon exercise of the Option, as determined by the Committee pursuant to Section 7.2 hereof.

(b) Price. The exercise price (the "Option Price") at which each share of Stock covered by an Option may be purchased shall be the price specified in the granting resolution of the Committee.

(c) Duration. Each Option Agreement shall state the period of time, determined by the Committee, within which the Option may be exercised (the "Option Period"), which in no event may be greater than ten (10) years.

(d) Vesting. Subject to the provisions of Section 7.3(e) and Section 7.3(f), each Option shall become exercisable in full on the date occurring nine years and six months from the date of grant or such earlier date as the Committee may determine.

(e) Acceleration. Each Option may become exercisable earlier, in increments, upon the occurrence of a Price Threshold Date as follows:

(i) If the Initial Price Threshold Date occurs prior to January 1, 2000:

(A) One-half of the shares of Stock subject to the First Category Options become immediately exercisable as of such date, and

(B) The Initial Amount of shares of Stock subject to each Second Category Option become immediately exercisable as of such date.

(ii) If the Final Price Threshold Date occurs prior to January 1, 2000, the remaining portion of shares of Stock under each category of Option becomes immediately exercisable as of such date.

(f) Termination of Employment, Death, Disability, etc. Subject to the following provisions, each Option Agreement shall state that each Option and the right to acquire stock thereunder shall be subject to the condition that the Participant has remained a full-time employee of the Company from the date of grant of an Option until the applicable exercise date:

(i) If the employment of the Participant by the Company is terminated (which for this purpose means that the Participant is no longer employed by the Company or by an Affiliated Corporation) within the Option Period for any reason other than cause, the Participant's retirement on or after

attaining age 60, or the Participant's disability or death, the Option may be exercised by the Participant within three months following the date of such termination (provided that such exercise must occur within the Option Period), but not thereafter. In any such case, the Option may be exercised only as to the shares as to which the Option had become exercisable on or before the date of termination of the Participant's employment. If the employment of the Participant is terminated within the Option Period for cause, as determined by the Company, any portion of any Option not previously exercised in accordance with this Section 7 shall thereafter be void for all purposes. As used in this subsection, "cause" shall mean a gross violation, as determined by the Company, of the Company's established policies and procedures, provided that the effect of this subsection 7.3(f) shall be limited to determining the consequences of a termination and that nothing in this subsection shall restrict or otherwise interfere with the Company's discretion with respect to the termination of any employee.

(ii) If the Participant retires from employment by the Company on or after attaining age 60, the Option may be exercised by the Participant within 36 months following his or her retirement (provided that such exercise must occur within the Option Period), but not thereafter. In the event of the Participant's death during such 36-month period, each Option may be exercised by those entitled to do so in the manner referred to in (iv) below. In any such case:

(A) If the Participant is holding a First Category Option and the Participant's retirement occurs on or after January 1, 2000, the Option may be exercised as to all shares of Stock which are subject to the Option, including an increment of the Option, if any, which had not otherwise become exercisable on or before the date of the Participant's retirement, or

(B) If the Participant is holding a First Category Option and the Participant's retirement occurs prior to January 1, 2000, the Option may be exercised only as to the shares of Stock as to which the Option had become exercisable on or before the date of the Participant's retirement, or

(C) If the Participant is holding a Second Category Option, the Option may be exercised only as to the shares of Stock as to which the Option had become exercisable on or before the date of the Participant's retirement.

(iii) If the Participant becomes disabled (as determined pursuant to the Company's Long-Term Disability Plan or any successor plan), during the Option Period while still employed, or within the 36-month period referred to in (ii) above, the Option may be exercised by the Participant or by his or her guardian or legal representative, within twelve months following the Participant's disability,

or within the 36-month period referred to in (ii) if applicable and if longer (provided that such exercise must occur within the Option Period), but not thereafter. In the event of the Participant's death during such twelve-month period, each Option may be exercised by those entitled to do so in the manner referred to in (iv) below. In any such case, the Option may be exercised only as to the shares of Stock as to which the Option had become exercisable on or before the date of the Participant's disability.

(iv) In the event of the Participant's death while still employed by the Company, each Option of the deceased Participant may be exercised by those entitled to do so under the Participant's will or under the laws of descent and distribution within twelve months following the Participant's death (provided that in any event such exercise must occur within the Option Period), but not thereafter, as to all shares of Stock which are subject to such Option, including any increment of the Option, if any, which has not yet become exercisable at the time of the Participant's death. In the event of the Participant's death within the 36-month period referred to in (ii) above or within the twelve-month period referred to (iii) above, each Option of the deceased Participant that is exercisable at the time of death may be exercised by those entitled to do so under the Participant's will or under the laws of descent and distribution within twelve months following the Participant's death or within the 36-month period referred to in (ii), if applicable and if longer (provided that in any event such exercise must occur within the Option Period).

(g) Transferability. Each Option Agreement shall state that the Option granted thereunder is not transferable by the Participant, except by will or pursuant to the laws of descent and distribution, and that such Option is exercisable during the Participant's lifetime only by him or her, or in the event of the Participant's disability or incapacity, by his or her guardian or legal representative.

(h) Exercise, Payments, etc.

(i) Each Option Agreement shall provide that the method for exercising the Option granted therein shall be by delivery to the Office of the Secretary of the Company or the Administrative Agent of written notice specifying the number of shares of Stock with respect to which such Option is exercised and payment to the Company of the aggregate Option Price. Such notice shall be in a form satisfactory to the Committee and shall specify the particular Option (or portion thereof) which is being exercised and the number of shares of Stock with respect to which the Option is being exercised. The exercise of the Option shall be deemed effective on the date such notice is received by the Office of the Secretary or the Administrative Agent and payment is made to the Company of

the aggregate Option Price (the "Exercise Date"); however, if payment of the aggregate Option Price is made pursuant to a sale of shares of Stock as contemplated by subsection 7.2(b)(iii)(E) below, the Exercise Date shall be deemed to be the date of such sale. If requested by the Company, such notice shall contain the Participant's representation that he or she is purchasing the Stock for investment purposes only and his or her agreement not to sell or otherwise distribute any Stock so purchased in any manner that is in violation of the Securities Act of 1933, as amended, or any applicable state law, and such restriction, or notice thereof, shall be placed on the certificates representing the Stock so purchased. The purchase of such Stock shall take place upon delivery of such notice to the Office of the Secretary of the Company or to the Administrative Agent, at which time the Option Price shall be paid in full to the Company by any of the methods or any combination of the methods set forth in 7.2(h)(iii) below.

(ii) The shares of Stock to which the Participant is entitled as a result of the exercise of the Option shall be issued by the Company and (A) delivered by electronic means to an account designated by the Participant, or (B) delivered to the Participant in the form of a properly executed certificate or certificates representing such shares of Stock. If shares of Stock and/or Depositary Shares are used to pay all or part of the aggregate Option Price, the Company shall issue and deliver to the Participant the additional shares of Stock, in excess of the aggregate Option Price or portion thereof paid using shares of Stock or Depositary Shares, to which the Participant is entitled as a result of the Option exercise.

(iii) The aggregate Option Price shall be paid by any of the following methods or any combination of the following methods:

(A) in cash, including the wire transfer of funds in U.S. dollars to one of the Company's bank accounts located in the United States, with such bank account to be designated from time to time by the Company;

(B) by personal, certified or cashier's check payable in U.S. dollars to the order of the Company;

(C) by delivery to the Company or the Administrative Agent of certificates representing a number of shares of Stock then owned by the Participant, the aggregate Fair Market Value (as of the Exercise Date) of which is not greater than the aggregate Option Price of the Option being exercised, properly endorsed for transfer to the Company; provided that the shares of Stock used for this purpose must have been owned by the Participant for a period of at least six months;

(D) by certification or attestation to the Company or the Administrative Agent of the Participant's ownership as of the Exercise Date of the number of (1) shares of Stock and/or (2) Depositary Shares, the aggregate Fair Market Value (as of the Exercise Date) of which is not greater than the aggregate Option Price of the Option being exercised; provided that the shares of Stock and/or Depositary Shares used for this purpose must have been owned by the Participant for a period of at least six months; or

(E) by delivery to the Company or the Administrative Agent of a properly executed notice of exercise together with irrevocable instructions to a broker to promptly deliver to the Company, by wire transfer or check as noted in (A) and (B) above, the amount of the proceeds of the sale of all or a portion of the Stock or of a loan from the broker to the Participant necessary to pay the aggregate Option Price.

(iv) For purposes of the Plan, the income resulting from an Option exercise shall be based on the Fair Market Value of the Stock for the Exercise Date; however, if payment of the aggregate Option Price is made pursuant to a sale of shares of Stock as contemplated by subsection 7.2(h)(iii)(E) hereof, the Fair Market Value shall be deemed to be the per share sale price and the Exercise Date shall be deemed to be the date of such sale.

7.4 Tax Withholding. Each Option Agreement shall provide that, upon exercise of the Option, the Participant shall make appropriate arrangements with the Company to provide for the amount of additional tax withholding required by Sections 3102 and 3402 or any successor section(s) of the Internal Revenue Code and applicable state and local income tax laws, including payment of such taxes in cash, by check or as provided in Section 13.2 hereof.

7.5 Subsequent Option Agreements. Following the initial grant of Options in 1996, additional Participants may be designated by the Committee for grant of Options substantially in accordance with the above terms and conditions, subject to such changes and modifications to reflect the circumstances of any subsequent grant as the Committee, in its discretion, deems appropriate.

7.6 Stockholder Privileges. No Participant shall have any rights as a stockholder with respect to any shares of Stock covered by an Option until the Participant becomes the holder of record of such Stock. No adjustments shall be made for dividends or other distributions or other rights as to which there is a record date preceding the date on which such Participant becomes the holder of record of such Stock.

SECTION 8

CHANGE OF CONTROL

8.1 In General. In the event of the occurrence of a change of control of the Company, as defined in Section 8.3 hereof, all outstanding Options shall become automatically vested, without further action by the Committee or the Board, so as to make all such Options fully vested and exercisable as of the date of such change of control.

8.2 Limitation on Payments. If the provisions of this Section 8 would result in the receipt by any Participant of a payment within the meaning of Section 280G or any successor section(s) of the Internal Revenue Code, and the regulations promulgated thereunder, and if the receipt of such payment by any Participant would, in the opinion of independent tax counsel of recognized standing selected by the Company, result in the payment by such Participant of any excise tax provided for in Sections 280G and 4999 or any successor section(s) of the Internal Revenue Code, then the amount of such payment shall be reduced to the extent required, in the opinion of independent tax counsel, to prevent the imposition of such excise tax; provided, however, that the Committee, in its sole discretion, may authorize the payment of all or any portion of the amount of such reduction to the Participant.

8.3 Definition. For purposes of the Plan, a "change of control" shall mean any of the events specified in the Company's Income Continuation Plan or any successor plan which constitute a change of control within the meaning of such plan.

SECTION 9

RIGHTS OF EMPLOYEES, PARTICIPANTS

9.1 Employment. Nothing contained in the Plan or in any Option granted under the Plan shall confer upon any Participant any right with respect to the continuation of his or her employment by the Company or any Affiliated Corporation, or interfere in any way with the right of the Company or any Affiliated Corporation, subject to the terms of any separate employment agreement to the contrary, at any time to terminate such employment or to increase or decrease the level of the Participant's compensation from the level in existence at the time of the grant of an Option. Whether an authorized leave of absence, or absence

in military or government service, shall constitute a termination of employment shall be determined by the Committee at the time.

9.2 Nontransferability. No right or interest of any Participant in an Option granted pursuant to the Plan shall be assignable or transferable during the lifetime of the Participant, either voluntarily or involuntarily, or subjected to any lien, directly or indirectly, by operation of law, or otherwise, including execution, levy, garnishment, attachment, pledge or bankruptcy. In the event of a Participant's death, a Participant's rights and interests in Options shall, to the extent provided in Section 7 hereof, be transferable by testamentary will or the laws of descent and distribution, and payment of any amounts due under the Plan shall be made to, and exercise of any Options may be made by, the Participant's legal representatives, heirs or legatees. If in the opinion of the Committee, a person entitled to payments or to exercise rights with respect to the Plan is disabled from caring for his or her affairs because of mental condition, physical condition or age, payment due such person may be made to, and such rights shall be exercised by, such person's guardian, conservator or other legal personal representative upon furnishing the Committee with evidence of such status satisfactory to the Committee.

SECTION 10

GENERAL RESTRICTIONS

10.1 Investment Representations. The Company may require a Participant, as a condition of exercising an Option, to give written assurances in substance and form satisfactory to the Company and its counsel to the effect that such person is acquiring the Stock subject to the Option for his own account for investment and not with any present intention of selling or otherwise distributing the same, and to such other effects as the Company deems necessary or appropriate in order to comply with federal and applicable state securities laws.

10.2 Compliance with Securities Laws. Each Option shall be subject to the requirement that, if at any time counsel to the Company shall determine that the listing, registration or qualification of the shares of Stock subject to such Option upon any securities exchange or under any state or federal law, or the consent or approval of any governmental or regulatory body, is necessary as a condition of, or in connection with, the issuance or purchase of shares of Stock thereunder, such Option may not be accepted or exercised in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained on conditions acceptable to the Committee. Nothing herein shall be

deemed to require the Company to apply for or to obtain such listing, registration, qualification, consent or approval.

SECTION 11

OTHER EMPLOYEE BENEFITS

The amount of any income deemed to be received by a Participant as a result of an Option exercise shall not constitute "earnings" or "compensation" with respect to which any other employee benefits of such Participant are determined including, without limitation, benefits under any pension, profit sharing, life insurance or salary continuation plan.

SECTION 12

PLAN AMENDMENT, MODIFICATION AND TERMINATION

The Board may at any time terminate, and from time to time may amend or modify the Plan provided, however, that no amendment or modification may become effective without approval of the amendment or modification by the Company's stockholders if stockholder approval is required to enable the Plan to satisfy any applicable statutory or regulatory requirements, unless the Company, on the advice of counsel, determines that stockholder approval is otherwise necessary.

No amendment, modification or termination of the Plan shall in any manner adversely affect any Option theretofore granted under the Plan, without the consent of the Participant holding such Option.

The Committee shall have the authority to adopt such modifications, procedures and subplans as may be necessary or desirable to comply with the provisions of the laws (including, but not limited to, tax laws and regulations) of countries other than the United States in which the Company may operate, so as to assure the viability of the benefits of the Plan to Participants employed in such countries.

SECTION 13

WITHHOLDING

13.1 Withholding Requirement. The Company's obligations to deliver shares of Stock upon the exercise of an Option shall be subject to the Participant's satisfaction of all applicable federal, state and local income and other tax withholding requirements.

13.2 Satisfaction of Required Withholding. At the time the Committee grants an Option, it may, in its sole discretion, grant the Participant an election to pay all such amounts of required tax withholding, or any part thereof:

(a) by the delivery to the Company or the Administrative Agent of a number of shares of Stock then owned by the Participant, the aggregate Fair Market Value (as of the Exercise Date) of which is not greater than the amount required to be withheld, provided that such shares have been held by the Participant for a period of at least six months;

(b) by certification or attestation to the Company or the Administrative Agent of the Participant's ownership as of the Exercise Date of a number of shares of Stock and/or Depositary Shares, the aggregate Fair Market Value (as of the Exercise Date) of which is not greater than the amount required to be withheld, provided that such shares of Stock and/or Depositary Shares have been owned by the Participant for a period of at least six months; or

(c) by the Company or the Administrative Agent withholding from the shares of Stock otherwise issuable to the Participant upon exercise of the Option, a number of shares of Stock, the aggregate Fair Market Value (as of the Exercise Date) of which is not greater than the amount required to be withheld. Any such elections by Participants to have shares of Stock withheld for this purpose will be subject to the following restrictions:

(i) all elections shall be made on or prior to the Exercise Date; and

(ii) all elections shall be irrevocable.

13.3 Excess Withholding. At the time the Committee grants an Option, it may, in its sole discretion, grant the Participant an election to pay additional or excess amounts of tax withholding, beyond the required amounts and up to the Participant's marginal tax rate:

(a) by delivery to the Company or the Administrative Agent of a number of Shares of Stock then owned by the Participant, the aggregate Fair Market Value (as of the Exercise Date) of which is not greater than such excess withholding amount, provided that such shares of Stock have been owned by the Participant for a period of at least six months; or

(b) by certification or attestation to the Company or the Administrative Agent of the Participant's ownership as of the Exercise Date of a number of shares of Stock and/or Depositary Shares, the aggregate Fair Market Value (as of the Exercise Date) of which is not greater than such excess withholding amount, provided that such shares of Stock and/or Depositary Shares have been owned by the Participant for a period of at least six months.

13.4 Section 16 Requirements. If the Participant is an officer or director of the Company within the meaning of Section 16 or any successor section(s) of the 1934 Act ("Section 16"), the Participant must satisfy the requirements of such Section 16 and any applicable rules and regulations thereunder with respect to the use of shares of Stock and/or Depositary Shares to satisfy such tax withholding obligation.

SECTION 14

REQUIREMENTS OF LAW

14.1 Requirements of Law. The issuance of Stock and the payment of cash pursuant to the Plan shall be subject to all applicable laws, rules and regulations.

14.2 Federal Securities Laws Requirements. If, subsequent to the date of grant, a Participant becomes an officer or director of the Company within the meaning of Section 16, Options granted hereunder shall be subject to all conditions required under Rule 16b-3, or any successor rule(s) promulgated under the 1934 Act, to qualify the Option for any exemptions from the provisions of Section 16 available under such Rule. Such conditions are hereby incorporated herein by reference and shall be set forth in the Stock Option Agreement with the Participant which describes the Option.

14.3 Governing Law. The Plan and all Stock Option Agreements hereunder shall be construed in accordance with and governed by the laws of the State of Texas.

SECTION 15

DURATION OF THE PLAN

The Plan shall terminate at such time as may be determined by the Board, and no Option shall be granted after such termination. If not sooner terminated under the preceding sentence, the Plan shall fully cease and expire at midnight on December 31, 1998. Any Options outstanding at the time of the Plan termination shall continue to be exercisable in accordance with the Stock Option Agreement pertaining to each such Option.

Dated: May 3, 2001

APACHE CORPORATION

ATTEST:

/s/ Cheri L. Peper

Cheri L. Peper
Corporate Secretary

By: /s/ Jeffrey M. Bender

Jeffrey M. Bender
Vice President, Human Resources

APACHE CORPORATION

1998 STOCK OPTION PLAN

(AS AMENDED AND RESTATED MAY 3, 2001;
EFFECTIVE AS OF MAY 1, 2001)

APACHE CORPORATION
1998 STOCK OPTION PLAN

(AS AMENDED AND RESTATED MAY 3, 2001;
EFFECTIVE AS OF MAY 1, 2001)

SECTION 1

INTRODUCTION

1.1 Establishment. Apache Corporation, a Delaware corporation (hereinafter referred to, together with its Affiliated Corporations (as defined in Section 2.1 hereof) as the "Company" except where the context otherwise requires), hereby establishes the Apache Corporation 1998 Stock Option Plan (the "Plan") for Eligible Employees (as defined in Section 2.1 hereof). The Plan permits the grant of stock options to Eligible Employees selected by the Committee (as defined in Section 2.1 hereof).

1.2 Purposes. The purposes of the Plan are to provide the Eligible Employees designated by the Committee for participation in the Plan with added incentives to continue in the long-term service of the Company and to create in such employees a more direct interest in the future success of the operations of the Company by relating incentive compensation to increases in stockholder value, so that the income of those employees is more closely aligned with the interests of the Company's stockholders. The Plan is also designed to attract outstanding individuals and to retain and motivate Eligible Employees by providing an opportunity for investment in the Company.

1.3 Effective Date. The Effective Date of the Plan (the "Effective Date") is February 6, 1998. This Plan and each option granted hereunder is conditioned on and shall be of no force or effect until approval of the Plan by the holders of the shares of voting stock of the Company unless the Company, on the advice of counsel, determines that stockholder approval is not necessary. The Committee may grant options the exercise of which shall be expressly subject to the condition that the Plan shall have been approved by the stockholders of the Company.

SECTION 2

DEFINITIONS

2.1 Definitions. The following terms shall have the meanings set forth below:

(a) "Administrative Agent" means any designee or agent that may be appointed by the Committee pursuant to Section 3.1(b) hereof.

(b) "Affiliated Corporation" means any corporation or other entity (including but not limited to a partnership) which is affiliated with Apache Corporation through stock ownership or otherwise and is treated as a common employer under the provisions of Sections 414(b) and (c) or any successor section(s) of the Internal Revenue Code.

(c) "Board" means the Board of Directors of the Company.

(d) "Committee" means the Stock Option Plan Committee of the Board, which is empowered hereunder to take actions in the administration of the Plan. The Committee shall be constituted at all times as to permit the Plan to comply with: (i) Rule 16b-3 or any successor rule(s) promulgated under the Securities Exchange Act of 1934, as amended (the "1934 Act"), and (ii) Section 162(m) or any successor sections(s) of the Internal Revenue Code and the regulations promulgated thereunder.

(e) "Deferred Delivery Plan" means the Company's Deferred Delivery Plan, effective as of February 10, 2000 and as it may be amended from time to time, or any successor plan.

(f) "Depository Shares" means the Depository shares representing the Company's preferred stock convertible into Stock.

(g) "Eligible Employees" means full-time employees (including, without limitation, officers and directors who are also employees), and certain part-time employees, of the Company or any division thereof.

(h) "Fair Market Value" means the per share closing price of the Stock or Depository Shares, as applicable, as reported on the New York Stock Exchange, Inc. Composite Transactions Reporting System for a particular date. If on such date there are no transactions in the Stock or Depository Shares, as applicable, the Fair Market Value shall be determined as of the immediately preceding date on which there were transactions in the Stock or Depository Shares, as applicable.

(i) "Internal Revenue Code" means the Internal Revenue Code of 1986, as it may be amended from time to time.

(j) "Option" means a right to purchase shares of Stock at a stated price for a specified period of time. All Options granted under the Plan shall be Options which are not "incentive stock options" as described in Section 422 or any successor section(s) of the Internal Revenue Code.

(k) "Option Price" means the price at which shares of Stock subject to an Option may be purchased, determined in accordance with subsection 7.2(b) hereof.

(l) "Participant" means an Eligible Employee designated by the Committee from time to time during the term of the Plan to receive one or more Options under the Plan.

(m) "Stock" means the \$1.25 par value Common Stock of the Company.

(n) "Stock Units" means investment units under the Deferred Delivery Plan, each of which is deemed to be equivalent to one share of Stock.

2.2 Headings; Gender and Number. The headings contained in the Plan are for reference purposes only and shall not affect in any way the meaning or interpretation of the Plan. Except when otherwise indicated by the context, the masculine gender shall also include the feminine gender, and the definition of any term herein in the singular shall also include the plural.

SECTION 3

PLAN ADMINISTRATION

3.1 Administration by the Committee.

(a) The Plan shall be administered by the Committee. In accordance with the provisions of the Plan, the Committee shall, in its sole discretion, select the Participants from among the Eligible Employees, determine the Options to be granted pursuant to the Plan, the number of shares of Stock to be issued thereunder, the time at which such Options are to be granted, fix the Option Price, and establish such other terms and requirements as the Committee may deem necessary or desirable and consistent with the terms of the Plan. The Committee shall determine the form or forms of the agreements with Participants which shall

evidence the particular provisions, terms, conditions, rights and duties of the Company and the Participants with respect to Options granted pursuant to the Plan, which provisions need not be identical except as may be provided herein.

(b) The Committee may from time to time adopt such rules and regulations for carrying out the purposes of the Plan as it may deem proper and in the best interests of the Company. The Committee may appoint an Administrative Agent, who need not be a member of the Committee or an employee of the Company, to assist the Committee in administration of the Plan and to whom it may delegate such powers as the Committee deems appropriate, except that the Committee shall determine any dispute. The Committee may correct any defect, supply any omission or reconcile any inconsistency in the Plan, or in any agreement entered into hereunder, in the manner and to the extent it shall deem expedient and it shall be the sole and final judge of such expediency. No member of the Committee shall be liable for any action or determination made in good faith. The determination, interpretations and other actions of the Committee pursuant to the provisions of the Plan shall be binding and conclusive for all purposes and on all persons.

3.2 Compliance with Section 162(m).

The Plan is intended to comply with the requirements of Section 162(m) or any successor section(s) of the Internal Revenue Code ("Section 162(m)") as to any "covered employee" as defined in Section 162(m), and shall be administered, interpreted and construed consistently therewith. In accordance with this intent, the amount of income a Participant may receive from Options granted under the Plan shall be based solely on an increase in the value of the Stock after the date of the grant of the Option, or such other bases as may be permitted by applicable law. The Committee is authorized to take such additional action, if any, that may be required to ensure that the Plan satisfies the requirements of Section 162(m) and the regulations promulgated or revenue rulings published thereunder.

SECTION 4

STOCK SUBJECT TO THE PLAN

4.1 Number of Shares. Subject to Section 7.1 and to adjustment pursuant to Section 4.3 hereof, two million five hundred thousand (2,500,000) shares of Stock are authorized for issuance under the Plan in accordance with the provisions of the Plan and subject to such restrictions or other provisions as the Committee may from time to time deem necessary. This authorization may be increased from time to time by approval of the Board and the stockholders of the Company if, on the advice of counsel for the Company, such stockholder approval is

required. Shares of Stock which may be issued upon exercise of Options shall be applied to reduce the maximum number of shares of Stock remaining available for use under the Plan. The Company shall at all times during the term of the Plan and while any Options are outstanding retain as authorized and unissued Stock, or as Stock in the Company's treasury, at least the number of shares from time to time required under the provisions of the Plan, or otherwise assure itself of its ability to perform its obligations hereunder.

4.2 Other Shares of Stock. Any shares of Stock that are subject to an Option which expires, is forfeited, is cancelled, or for any reason is terminated unexercised, and any shares of Stock that for any other reason are not issued to a Participant or are forfeited shall automatically become available for use under the Plan.

4.3 Adjustments for Stock Split, Stock Dividend, Etc. If the Company shall at any time increase or decrease the number of its outstanding shares of Stock or change in any way the rights and privileges of such shares by means of the payment of a Stock dividend or any other distribution upon such shares payable in Stock, or through a Stock split, subdivision, consolidation, combination, reclassification or recapitalization involving the Stock, then in relation to the Stock that is affected by one or more of the above events, the numbers, rights and privileges of the following shall be increased, decreased or changed in like manner as if they had been issued and outstanding, fully paid and nonassessable at the time of such occurrence: (i) the shares of Stock as to which Options may be granted under the Plan; and (ii) the shares of the Stock then included in each outstanding Option granted hereunder.

4.4 Dividend Payable in Stock of Another Corporation, Etc. If the Company shall at any time pay or make any dividend or other distribution upon the Stock payable in securities or other property (except money or Stock), a proportionate part of such securities or other property shall be set aside and delivered to any Participant then holding an Option for the particular type of Stock for which the dividend or other distribution was made, upon exercise thereof. Prior to the time that any such securities or other property are delivered to a Participant in accordance with the foregoing, the Company shall be the owner of such securities or other property and shall have the right to vote the securities, receive any dividends payable on such securities, and in all other respects shall be treated as the owner. If securities or other property which have been set aside by the Company in accordance with this Section are not delivered to a Participant because an Option is not exercised, then such securities or other property shall remain the property of the Company and shall be dealt with by the Company as it shall determine in its sole discretion.

4.5 Other Changes in Stock. In the event there shall be any change, other than as specified in Sections 4.3 and 4.4 hereof, in the number or kind of outstanding shares of Stock or of any stock or other securities into which the Stock shall be changed or for which it shall have been exchanged, and if the Committee shall in its discretion determine that such change equitably requires an adjustment in the number or kind of shares subject to outstanding Options or which have been reserved for issuance pursuant to the Plan but are not then subject to an Option, then such adjustments shall be made by the Committee and shall be effective for all purposes of the Plan and on each outstanding Option that involves the particular type of stock for which a change was effected.

4.6 Rights to Subscribe. If the Company shall at any time grant to the holders of its Stock rights to subscribe pro rata for additional shares thereof or for any other securities of the Company or of any other corporation, there shall be reserved with respect to the shares then under Option to any Participant of the particular class of Stock involved the Stock or other securities which the Participant would have been entitled to subscribe for if immediately prior to such grant the Participant had exercised his entire Option. If, upon exercise of any such Option, the Participant subscribes for the additional shares or other securities, the aggregate Option Price shall be increased by the amount of the price that is payable by the Participant for such additional shares or other securities.

4.7 General Adjustment Rules. No adjustment or substitution provided for in this Section 4 shall require the Company to sell a fractional share of Stock under any Option, or otherwise issue a fractional share of Stock, and the total substitution or adjustment with respect to each Option shall be limited by deleting any fractional share. In the case of any such substitution or adjustment, the aggregate Option Price for the shares of Stock then subject to the Option shall remain unchanged but the Option Price per share under each such Option shall be equitably adjusted by the Committee to reflect the greater or lesser number of shares of Stock or other securities into which the Stock subject to the Option may have been changed.

4.8 Determination by the Committee, Etc. Adjustments under this Section 4 shall be made by the Committee, whose determinations with regard thereto shall be final and binding upon all parties.

SECTION 5

REORGANIZATION OR LIQUIDATION

In the event that the Company is merged or consolidated with another corporation and the Company is not the surviving corporation, or if all or substantially all of the assets or more than 20 percent of the outstanding voting stock of the Company is acquired by any other corporation, business entity or person, or in case of a reorganization (other than a reorganization under the United States Bankruptcy Code) or liquidation of the Company, and if the provisions of Section 8 hereof do not apply, the Committee, or the board of directors of any corporation assuming the obligations of the Company, shall, as to the Plan and outstanding Options either (i) make appropriate provision for the adoption and continuation of the Plan by the acquiring or successor corporation and for the protection of any such outstanding Options by the substitution on an equitable basis of appropriate stock of the Company or of the merged, consolidated or otherwise reorganized corporation which will be issuable with respect to the Stock, provided that no additional benefits shall be conferred upon the Participants holding such Options as a result of such substitution, and the excess of the aggregate Fair Market Value of the shares subject to the Options immediately after such substitution over the aggregate Option Price thereof is not more than the excess of the aggregate Fair Market Value of the shares subject to such Options immediately before such substitution over the aggregate Option Price thereof, or (ii) upon written notice to the Participants, provide that all unexercised Options shall be exercised within a specified number of days of the date of such notice or such Options will be terminated. In the latter event, the Committee shall accelerate the vesting dates of outstanding Options so that all Options become fully vested and exercisable prior to any such event.

SECTION 6

PARTICIPATION

Participants in the Plan shall be those Eligible Employees who, in the judgment of the Committee, are performing, or during the term of their incentive arrangement will perform, vital services in the management, operation and development of the Company or an Affiliated Corporation, and significantly contribute, or are expected to significantly contribute, to the achievement of the Company's long-term corporate economic objectives. Participants may be granted from time to time one or more Options; provided, however, that the grant of each such Option shall be separately approved by the Committee, and receipt of one such Option shall not result in automatic receipt of any other Option. Upon determination by the Committee that an Option is to be granted to a Participant, written notice shall be given to such person, specifying the terms, conditions, rights and duties related thereto. Each Participant shall, if required by the Committee, enter into an agreement with the Company, in such form as the Committee shall determine and which is consistent with the provisions of the Plan, specifying such terms, conditions, rights and duties. Options shall be deemed to be granted as of the date specified in the grant resolution of the Committee, which date shall be the date of any related agreement with the Participant. In the event of any inconsistency between the provisions of the Plan and any such agreement entered into hereunder, the provisions of the Plan shall govern.

SECTION 7

STOCK OPTIONS

7.1 Grant of Stock Options. Coincident with or following designation for participation in the Plan, an Eligible Employee may be granted one or more Options. Grants of Options under the Plan shall be made by the Committee. In no event shall the exercise of one Option affect the right to exercise any other Option or affect the number of shares of Stock for which any other Option may be exercised, except as provided in subsection 7.2(j) hereof. During the life of the Plan, no Eligible Employee may be granted Options which in the aggregate pertain to in excess of 25 percent of the total shares of Stock authorized under the Plan.

7.2 Stock Option Agreements. Each Option granted under the Plan shall be evidenced by a written stock option agreement which shall be entered into by the Company and the Participant to whom the Option is granted (the "Stock Option Agreement"), and which shall contain the following terms and conditions, as well as such other terms and conditions, not inconsistent therewith, as the Committee may consider appropriate in each case.

(a) Number of Shares. Each Stock Option Agreement shall state that it covers a specified number of shares of Stock, as determined by the Committee.

(b) Price. The price at which each share of Stock covered by an Option may be purchased shall be determined in each case by the Committee and set forth in the Stock Option Agreement, but in no event shall the price be less than the Fair Market Value of the Stock on the date the Option is granted.

(c) Duration of Options; Employment Required For Exercise. Each Stock Option Agreement shall state the period of time, determined by the Committee, within which the Option may be exercised by the Participant (the "Option Period"). The Option Period must end, in all cases, not more than ten years from the date an Option is granted. Except as otherwise provided in Sections 5 and 8 and subsection 7.2(d)(iv) hereof, each Option granted under the Plan shall become exercisable in increments such that 25 percent of the Option will become exercisable on each of the four subsequent one-year anniversaries of the date the Option is granted, but each such additional 25-percent increment shall become exercisable only if the Participant has been continuously employed by the Company from the date the Option is granted through the date on which each such additional 25-percent increment becomes exercisable.

(d) Termination of Employment, Death, Disability, Etc. Each Stock Option Agreement shall provide as follows with respect to the exercise of the Option upon termination of the employment or the death of the Participant:

(i) If the employment of the Participant by the Company is terminated within the Option Period for cause, as determined by the Company, the Option shall thereafter be void for all purposes. As used in this subsection 7.2(d), "cause" shall mean a gross violation, as determined by the Company, of the Company's established policies and procedures, provided that the effect of this subsection 7.2(d) shall be limited to determining the consequences of a termination and that nothing in this subsection 7.2(d) shall restrict or otherwise interfere with the Company's discretion with respect to the termination of any employee.

(ii) If the Participant retires from employment by the Company on or after attaining age 60, the Option may be exercised by the Participant within 36 months following his or her retirement (provided that such exercise must occur within the Option Period), but not thereafter. In the event of the Participant's death during such 36-month period, each Option may be exercised by those entitled to do so in the manner referred to in (iv) below. In any such case, the Option may be exercised only as to the shares as to which the Option had become exercisable on or before the date of the Participant's retirement.

(iii) If the Participant becomes disabled (as determined pursuant to the Company's Long-Term Disability Plan or any successor plan), during the Option Period while still employed, or within the three-month period referred to in (v) below, or within the 36-month period referred to in (ii) above, the Option may be exercised by the Participant or by his or her guardian or legal representative, within twelve months following the Participant's disability, or within the 36-month period referred to in (ii) above if applicable and if longer (provided that such exercise must occur within the Option Period), but not thereafter. In the event of the Participant's death during such twelve-month period, each Option may be exercised by those entitled to do so in the manner referred to in (iv) below. In any such case, the Option may be exercised only as to the shares of Stock as to which the Option had become exercisable on or before the date of the Participant's disability.

(iv) In the event of the Participant's death while still employed by the Company, each Option of the deceased Participant may be exercised by those entitled to do so under the Participant's will or under the laws of descent and distribution within twelve months following the Participant's death (provided that in any event such exercise must occur within the Option Period), but not thereafter, as to all shares of Stock which are subject to such Option, including each 25-percent increment of the Option, if any, which has not yet become exercisable at the time of the Participant's death. In the event of the Participant's death within the 36-month period referred to in (ii) above or within the twelve-month period referred to in (iii) above, each Option of the deceased Participant that is exercisable at the time of death may be exercised by those entitled to do so under the Participant's will or under the laws of descent and distribution within twelve months following the Participant's death or within the 36-month period referred to in (ii) above, if applicable and if longer (provided that in any event such exercise must occur within the Option Period). The provisions of this paragraph (iv) of subsection 7.2(d) shall be applicable to each Stock Option Agreement as if set forth therein word for word. Each Stock Option Agreement executed by the Company prior to the adoption of this provision shall be deemed amended to include the provisions of this paragraph and all Options granted pursuant to such Stock Option Agreements shall be exercisable as provided herein.

(v) If the employment of the Participant by the Company is terminated (which for this purpose means that the Participant is no longer employed by the Company or by an Affiliated Corporation) within the Option Period for any reason other than cause, the Participant's retirement on or after attaining age 60, or the Participant's disability or death, the Option may be exercised by the Participant within three months following the date of such termination (provided that such exercise must occur within the Option Period), but not thereafter. In any such case, the Option may be exercised only as to the shares as to which the Option had become exercisable on or before the date of termination of the Participant's employment.

(e) Transferability. Each Stock Option Agreement shall provide that the Option granted therein is not transferable by the Participant except by will or pursuant to the laws of descent and distribution, and that such Option is exercisable during the Participant's lifetime only by him or her, or in the event of the Participant's disability or incapacity, by his or her guardian or legal representative.

(f) Agreement to Continue in Employment. Each Stock Option Agreement shall contain the Participant's agreement to remain in the employment of the Company, at the pleasure of the Company, for a continuous period of at least one year after the date of such Stock Option Agreement, at the salary rate in effect on the date of such agreement or at such changed rate as may be fixed, from time to time, by the Company.

(g) Exercise, Payments, Etc.

(i) Each Stock Option Agreement shall provide that the method for exercising the Option granted therein shall be by delivery to the Office of the Secretary of the Company or to the Administrative Agent of written notice specifying the number of shares of Stock with respect to which such Option is exercised and payment to the Company of the aggregate Option Price. Such notice shall be in a form satisfactory to the Committee and shall specify the particular Options (or portions thereof) which are being exercised and the number of shares of Stock with respect to which the Options are being exercised. The exercise of the Option shall be deemed effective on the date such notice is received by the Office of the Secretary or by the Administrative Agent and payment is made to the Company of the aggregate Option Price (the "Exercise Date"); however, if payment of the aggregate Option Price is made pursuant to a sale of shares of Stock as contemplated by subsection 7.2(g)(iii)(F) below, the Exercise Date shall be deemed to be the date of such sale. If requested by the Company, such notice shall contain the Participant's representation that he or she

is purchasing the Stock for investment purposes only and his or her agreement not to sell any Stock so purchased in any manner that is in violation of the Securities Act of 1933, as amended, or any applicable state law, and such restriction, or notice thereof, shall be placed on the certificates representing the Stock so purchased. The purchase of such Stock shall take place upon delivery of such notice to the Office of the Secretary or to the Administrative Agent, at which time the aggregate Option Price shall be paid in full to the Company by any of the methods or any combination of the methods set forth in 7.2(g)(iii) below.

(ii) Except as referenced below in connection with the Deferred Delivery Plan, the shares of Stock to which the Participant is entitled as a result of the exercise of the Option shall be issued by the Company and (A) delivered by electronic means to an account designated by the Participant, or (B) delivered to the Participant in the form of a properly executed certificate or certificates representing such shares of Stock. If shares of Stock and/or Depository Shares are used to pay all or part of the aggregate Option Price, the Company shall issue and deliver to the Participant the additional shares of Stock, in excess of the aggregate Option Price or portion thereof paid using shares of Stock or Depository Shares, to which the Participant is entitled as a result of the Option exercise. If the Participant exercising an Option (x) is eligible for participation in the Deferred Delivery Plan, (y) pays the aggregate Option Price pursuant to 7.2(g)(iii)(A), (B), (C), (D) or (E) below, and (z) has made an irrevocable election at least six months prior to the Exercise Date as required under the Deferred Delivery Plan, the income resulting from the Option exercise shall be deferred into the Participant's Deferred Delivery Plan account and no additional shares of Stock shall be delivered to the Participant.

(iii) the aggregate Option Price shall be paid by any of the following methods or any combination of the following methods:

(A) in cash, including the wire transfer of funds in U.S. dollars to one of the Company's bank accounts located in the United States, with such bank account to be designated from time to time by the Company;

(B) by personal, certified or cashier's check payable in U.S. dollars to the order of the Company;

(C) by delivery to the Company or the Administrative Agent of certificates representing a number of shares of Stock then owned by the Participant, the aggregate Fair Market Value of which (as of the Exercise Date) is not greater than the aggregate Option Price of the Option being exercised, properly endorsed for transfer to the Company; provided that the shares of Stock

used for this purpose must have been owned by the Participant for a period of at least six months;

(D) by certification or attestation to the Company or the Administrative Agent of the Participant's ownership (as of the Exercise Date) of a number of shares of Stock and/or Depositary Shares, the aggregate Fair Market Value of which (as of the Exercise Date) is not greater than the aggregate Option Price of the Option being exercised, provided that the shares of Stock and/or Depositary Shares used for this purpose have been owned by the Participant for a period of at least six months;

(E) if the income resulting from the Option Exercise is to be deferred into the Participant's Deferred Delivery Plan account, by certification or attestation to the Company or the Administrative Agent of the Participant's ownership (as of the Exercise Date) of a number of vested Stock Units held in the Participant's Deferred Delivery Plan account, the equivalent aggregate Fair Market Value of which (as of the Exercise Date) is not greater than the aggregate Option Price of the Option being exercised, provided that the Stock Units used for this purpose were vested as of the Exercise Date; or

(F) by delivery to the Company or the Administrative Agent of a properly executed notice of exercise together with irrevocable instructions to a broker to promptly deliver to the Company, by wire transfer or check as noted in (A) and (B) above, the amount of the proceeds of the sale of all or a portion of the Stock or of a loan from the broker to the Participant necessary to pay the aggregate Option Price.

(iv) For purposes of the Plan, the income resulting from an Option exercise shall be based on the Fair Market Value of the Stock for the Exercise Date; however, if payment of the aggregate Option Price is made pursuant to a sale of shares of Stock as contemplated by subsection 7.2(g)(iii)(F) hereof, the Fair Market Value shall be deemed to be the per share sale price and the Exercise Date shall be deemed to be the date of such sale.

(h) Date of Grant. An Option shall be considered as having been granted on the date specified in the grant resolution of the Committee.

(i) Tax Withholding. Each Stock Option Agreement shall provide that, upon exercise of the Option, the Participant shall make appropriate arrangements with the Company to provide for the amount of tax withholding required by Sections 3102 and 3402 or any successor section(s) of the Internal Revenue Code and applicable state and local income tax laws, including payment of such taxes in cash, by check, or as provided in Section 13.2 hereof.

(j) Adjustment of Options. Subject to the provisions of Sections 4, 5, 7, 8 and 12 hereof, the Committee may make any adjustment in the number of shares of Stock covered by, or the terms of an outstanding Option and a subsequent granting of an Option, by amendment or by substitution for an outstanding Option; however, except as provided in Sections 4, 5, 8 and 12 hereof, the Committee may not adjust the Option Price of any outstanding Option. Such amendment or substitution may result in terms and conditions (including the number of shares of Stock covered, vesting schedule or Option Period) that differ from the terms and conditions of the original Option. The Committee may not, however, adversely affect the rights of any Participant to previously granted Options without the consent of such Participant. If such action is effected by amendment, the effective date of such amendment will be the date of grant of the original Option.

7.3 Stockholder Privileges. No Participant shall have any rights as a stockholder with respect to any shares of Stock covered by an Option until the Participant becomes the holder of record of such Stock. Except as provided in Section 4 hereof, no adjustments shall be made for dividends or other distributions or other rights as to which there is a record date preceding the date on which such Participant becomes the holder of record of such Stock.

SECTION 8

CHANGE OF CONTROL

8.1 In General. In the event of the occurrence of a change of control of the Company as defined in Section 8.3 hereof, all outstanding Options shall become automatically vested, without further action by the Committee or the Board, so as to make all such Options fully vested and exercisable as of the date of such change of control.

8.2 Limitation on Payments. If the provisions of this Section 8 would result in the receipt by any Participant of a payment within the meaning of Section 280G or any successor section(s) of the Internal Revenue Code, and the regulations promulgated thereunder, and if the receipt of such payment by any Participant would, in the opinion of independent tax counsel of recognized standing selected by the Company, result in the payment by such Participant of any excise tax provided for in Sections 280G and 4999 or any successor section(s) of the Internal Revenue Code, then the amount of such payment shall be reduced to the extent required, in the opinion of independent tax counsel, to prevent the imposition of such excise tax; provided, however, that the Committee, in its sole

discretion, may authorize the payment of all or any portion of the amount of such reduction to the Participant.

8.3 Definition. For purposes of the Plan, a "change of control" shall mean any of the events specified in the Company's Income Continuation Plan or any successor plan which constitute a change of control within the meaning of such plan.

SECTION 9

RIGHTS OF EMPLOYEES, PARTICIPANTS

9.1 Employment. Nothing contained in the Plan or in any Option granted under the Plan shall confer upon any Participant any right with respect to the continuation of his or her employment by the Company or any Affiliated Corporation, or interfere in any way with the right of the Company or any Affiliated Corporation, subject to the terms of any separate employment agreement to the contrary, at any time to terminate such employment or to increase or decrease the level of the Participant's compensation from the level in existence at the time of the grant of an Option. Whether an authorized leave of absence, or absence in military or government service, shall constitute a termination of employment shall be determined by the Committee at the time.

9.2 Nontransferability. No right or interest of any Participant in an Option granted pursuant to the Plan shall be assignable or transferable during the lifetime of the Participant, either voluntarily or involuntarily, or subjected to any lien, directly or indirectly, by operation of law, or otherwise, including execution, levy, garnishment, attachment, pledge or bankruptcy. In the event of a Participant's death, a Participant's rights and interests in Options shall, to the extent provided in Section 7 hereof, be transferable by testamentary will or the laws of descent and distribution, and payment of any amounts due under the Plan shall be made to, and exercise of any Options may be made by, the Participant's legal representatives, heirs or legatees. If, in the opinion of the Committee, a person entitled to payments or to exercise rights with respect to the Plan is disabled from caring for his or her affairs because of mental condition, physical condition or age, payment due such person may be made to, and such rights shall be exercised by, such person's guardian, conservator or other legal personal representative upon furnishing the Committee with evidence of such status satisfactory to the Committee.

SECTION 10

GENERAL RESTRICTIONS

10.1 Investment Representations. The Company may require a Participant, as a condition of exercising an Option, to give written assurances in substance and form satisfactory to the Company and its counsel to the effect that such person is acquiring the Stock subject to the Option for his own account for investment and not with any present intention of selling or otherwise distributing the same, and to such other effects as the Company deems necessary or appropriate in order to comply with federal and applicable state securities laws.

10.2 Compliance with Securities Laws. Each Option shall be subject to the requirement that, if at any time counsel to the Company shall determine that the listing, registration or qualification of the shares of Stock subject to such Option upon any securities exchange or under any state or federal law, or the consent or approval of any governmental or regulatory body, is necessary as a condition of, or in connection with, the issuance or purchase of shares of Stock thereunder, such Option may not be accepted or exercised in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained on conditions acceptable to the Committee. Nothing herein shall be deemed to require the Company to apply for or to obtain such listing, registration, qualification, consent or approval.

SECTION 11

OTHER EMPLOYEE BENEFITS

The amount of any income deemed to be received by a Participant as a result of an Option exercise shall not constitute "earnings" or "compensation" with respect to which any other employee benefits of such Participant are determined including, without limitation benefits under any pension, profit sharing, life insurance or salary continuation plan.

SECTION 12

PLAN AMENDMENT, MODIFICATION AND TERMINATION

The Board may at any time terminate, and from time to time may amend or modify the Plan provided, however, that no amendment or modification may become effective without approval of the amendment or modification by the

Company's stockholders if stockholder approval is required to enable the Plan to satisfy any applicable statutory or regulatory requirements unless the Company, on the advice of counsel, determines that stockholder approval is otherwise necessary or desirable.

No amendment, modification or termination of the Plan shall in any manner adversely affect any Option theretofore granted under the Plan, without the consent of the Participant holding such Option.

The Committee shall have the authority to adopt such modifications, procedures and subplans as may be necessary or desirable to comply with the provisions of the laws (including, but not limited to, tax laws and regulations) of countries other than the United States in which the Company may operate, so as to assure the viability of the benefits of the Plan to Participants employed in such countries.

SECTION 13

WITHHOLDING

13.1 Withholding Requirement. The Company's obligations to deliver shares of Stock upon the exercise of an Option, or to defer income resulting from an Option exercise into the Deferred Delivery Plan, shall be subject to the Participant's satisfaction of all applicable federal, state and local income and other tax withholding requirements.

13.2 Satisfaction of Required Withholding. At the time the Committee grants an Option, it may, in its sole discretion, grant the Participant an election to pay all such amounts of required tax withholding, or any part thereof:

(a) by the delivery to the Company or the Administrative Agent of a number of shares of Stock then owned by the Participant, the aggregate Fair Market Value of which (as of the Exercise Date) is not greater than the amount required to be withheld, provided that such shares have been held by the Participant for a period of at least six months;

(b) by certification or attestation to the Company or the Administrative Agent of the Participant's ownership (as of the Exercise Date) of a number of shares of Stock and/or Depositary Shares, the aggregate Fair Market Value of which (as of the Exercise Date) is not greater than the amount required to be withheld, provided that such shares of Stock and/or Depositary Shares have been owned by the Participant for a period of at least six months;

(c) if the income resulting from the Option exercise is to be deferred into the Participant's Deferred Delivery Plan account, by certification or attestation to the Company or the Administrative Agent of the Participant's ownership (as of the Exercise Date) of a number of vested Stock Units held in the Participant's Deferred Delivery Plan account, the equivalent aggregate Fair Market Value of which (as of the Exercise Date) is not greater than the amount required to be withheld, provided that such Stock Units were vested as of the Exercise Date; or

(d) by the Company or the Administrative Agent withholding from the shares of Stock otherwise issuable to the Participant upon exercise of the Option, a number of shares of Stock, the aggregate Fair Market Value of which (as of the Exercise Date) is not greater than the amount required to be withheld. Any such elections by Participants to have shares of Stock withheld for this purpose will be subject to the following restrictions:

(i) all elections shall be made on or prior to the Exercise Date; and

(ii) all elections shall be irrevocable.

13.3 Excess Withholding. At the time the Committee grants an Option, it may, in its sole discretion, grant the Participant an election to pay additional or excess amounts of tax withholding, beyond the required amounts and up to the Participant's marginal tax rate:

(a) by delivery to the Company or the Administrative Agent of a number of Shares of Stock then owned by the Participant, the aggregate Fair Market Value of which (as of the Exercise Date) is not greater than such excess withholding amount, provided that such shares of Stock have been owned by the Participant for a period of at least six months; or

(b) by certification or attestation to the Company or the Administrative Agent of the Participant's ownership (as of the Exercise Date) of a number of shares of Stock and/or Depositary Shares, the aggregate Fair Market Value of which (as of the Exercise Date) is not greater than such excess withholding amount, provided that such shares of Stock and/or Depositary Shares have been owned by the Participant for a period of at least six months.

13.4 Section 16 Requirements. If the Participant is an officer or director of the Company within the meaning of Section 16 or any successor section(s) of the 1934 Act ("Section 16"), the Participant must satisfy the requirements of such Section 16 and any applicable rules and regulations thereunder with respect to the use of shares of Stock, Depositary Shares and/or Stock Units to satisfy such tax withholding obligation.

SECTION 14

REQUIREMENTS OF LAW

14.1 Requirements of Law. The issuance of Stock and the payment of cash pursuant to the Plan shall be subject to all applicable laws, rules and regulations.

14.2 Federal Securities Laws Requirements. If a Participant is an officer or director of the Company within the meaning of Section 16, Options granted hereunder shall be subject to all conditions required under Rule 16b-3, or any successor rule(s) promulgated under the 1934 Act, to qualify the Option for any exception from the provisions of Section 16 available under such Rule. Such conditions are hereby incorporated herein by reference and shall be set forth in the Stock Option Agreement with the Participant which describes the Option.

14.3 Governing Law. The Plan and all Stock Option Agreements hereunder shall be construed in accordance with and governed by the laws of the State of Texas.

SECTION 15

DURATION OF THE PLAN

The Plan shall terminate at such time as may be determined by the Board, and no Option shall be granted after such termination. If not sooner terminated under the preceding sentence, the Plan shall fully cease and expire at midnight on February 6, 2003. Options outstanding at the time of the Plan termination shall continue to be exercisable in accordance with the Stock Option Agreement pertaining to each such Option.

Dated: May 3, 2001

APACHE CORPORATION

ATTEST:

/s/ Cheri L. Peper

By: /s/ Jeffrey M. Bender

Cheri L. Peper
Corporate Secretary

Jeffrey M. Bender
Vice President, Human Resources

APACHE CORPORATION

2000 STOCK OPTION PLAN

(AS AMENDED AND RESTATED MAY 3, 2001;
EFFECTIVE AS OF MAY 1, 2001)

APACHE CORPORATION
2000 STOCK OPTION PLAN
(AS AMENDED AND RESTATED MAY 3, 2001;
EFFECTIVE AS OF MAY 1, 2001)

SECTION 1

INTRODUCTION

1.1 Establishment. Apache Corporation, a Delaware corporation (hereinafter referred to, together with its Affiliated Corporations (as defined in Section 2.1 hereof) as the "Company" except where the context otherwise requires), hereby establishes the Apache Corporation 2000 Stock Option Plan (the "Plan") for Eligible Employees (as defined in Section 2.1 hereof). The Plan permits the grant of stock options to Eligible Employees selected by the Committee (as defined in Section 2.1 hereof).

1.2 Purposes. The purposes of the Plan are to provide the Eligible Employees designated by the Committee for participation in the Plan with added incentives to continue in the long-term service of the Company and to create in such employees a more direct interest in the future success of the operations of the Company by relating incentive compensation to increases in stockholder value, so that the income of those employees is more closely aligned with the interests of the Company's stockholders. The Plan is also designed to attract outstanding individuals and to retain and motivate Eligible Employees by providing an opportunity for investment in the Company.

1.3 Effective Date. The Effective Date of the Plan (the "Effective Date") is February 10, 2000.

SECTION 2

DEFINITIONS

2.1 Definitions. The following terms shall have the meanings set forth below:

(a) "Administrative Agent" means any designee or agent that may be appointed by the Committee pursuant to Section 3.1(b) hereof.

(b) "Affiliated Corporation" means any corporation or other entity (including but not limited to a partnership) which is affiliated with Apache

Corporation through stock ownership or otherwise and is treated as a common employer under the provisions of Sections 414(b) and (c) or any successor section(s) of the Internal Revenue Code.

(c) "Board" means the Board of Directors of the Company.

(d) "Committee" means the Stock Option Plan Committee of the Board, which is empowered hereunder to take actions in the administration of the Plan. The Committee shall be constituted at all times as to permit the Plan to comply with Rule 16b-3 or any successor rule(s) promulgated under the Securities Exchange Act of 1934, as amended (the "1934 Act").

(e) "Deferred Delivery Plan" means the Company's Deferred Delivery Plan, effective as of February 10, 2000, as it may be amended from time to time, or any successor plan.

(f) "Depositary Shares" means the Depositary shares representing the Company's preferred stock convertible into Stock.

(g) "Eligible Employees" means full-time employees (including, without limitation, officers and directors who are also employees), and certain part-time employees, of the Company or any division thereof.

(h) "Expiration Date" means the date on which the Option Period (as defined in subsection 7.2(c) hereof) ends.

(i) "Fair Market Value" means the per share closing price of the Stock or Depositary Shares, as applicable, as reported on the New York Stock Exchange, Inc. Composite Transactions Reporting System for a particular date. If on such date there are no transactions in the Stock or Depositary Shares, as applicable, the Fair Market Value shall be determined as of the immediately preceding date on which there were transactions in the Stock or Depositary Shares, as applicable.

(j) "Internal Revenue Code" means the Internal Revenue Code of 1986, as it may be amended from time to time.

(k) "Option" means a right to purchase shares of Stock at a stated price for a specified period of time. All Options granted under the Plan shall be Options which are not "incentive stock options" as described in Section 422 or any successor section(s) of the Internal Revenue Code.

(l) "Option Price" means the price at which shares of Stock subject to an Option may be purchased, determined in accordance with subsection 7.2(b) hereof.

(m) "Participant" means an Eligible Employee designated by the Committee from time to time during the term of the Plan to receive one or more Options under the Plan.

(n) "Reload Option" has the meaning set forth in subsection 7.4 hereof.

(o) "Stock" means the U.S. \$1.25 par value Common Stock of the Company.

(p) "Stock Units" means investment units under the Deferred Delivery Plan, each of which is deemed to be equivalent to one share of Stock.

2.2 Headings; Gender and Number. The headings contained in the Plan are for reference purposes only and shall not affect in any way the meaning or interpretation of the Plan. Except when otherwise indicated by the context, the masculine gender shall also include the feminine gender, and the definition of any term herein in the singular shall also include the plural.

SECTION 3

PLAN ADMINISTRATION

3.1 Administration by the Committee.

(a) The Plan shall be administered by the Committee. In accordance with the provisions of the Plan, the Committee shall, in its sole discretion, select the Participants from among the Eligible Employees, determine the Options to be granted pursuant to the Plan, the number of shares of Stock to be issued thereunder, the time at which such Options are to be granted, fix the Option Price, and establish such other terms and requirements as the Committee may deem necessary or desirable and consistent with the terms of the Plan. The Committee shall determine the form or forms of the agreements with Participants which shall evidence the particular provisions, terms, conditions, rights and duties of the Company and the Participants with respect to Options granted pursuant to the Plan, which provisions need not be identical except as may be provided herein.

(b) The Committee may from time to time adopt such rules and regulations for carrying out the purposes of the Plan as it may deem proper and in the best interests of the Company. The Committee may appoint an Administrative Agent, who need not be a member of the Committee or an employee of the Company, to assist the Committee in administration of the Plan and to whom it may delegate such powers as the Committee deems appropriate, except that the Committee shall determine any dispute. The Committee may correct any defect, supply any omission or reconcile any inconsistency in the Plan, or in any agreement entered into hereunder, in the manner and to the extent it shall deem expedient and it shall be the sole and final judge of such expediency. No member of the Committee shall be liable for any action or determination made in good faith. The determination, interpretations and other actions of the Committee pursuant to the provisions of the Plan shall be binding and conclusive for all purposes and on all persons.

SECTION 4

STOCK SUBJECT TO THE PLAN

4.1 Number of Shares. Subject to Sections 7.1 and 7.4 hereof and to adjustment pursuant to Section 4.3 hereof, one million five hundred thousand (1,500,000) shares of Stock are authorized for issuance under the Plan in accordance with the provisions of the Plan and subject to such restrictions or other provisions as the Committee may from time to time deem necessary. This authorization may be increased from time to time by approval of the Board and the stockholders of the Company if, on the advice of counsel for the Company, such stockholder approval is required. Shares of Stock which may be issued upon exercise of Options shall be applied to reduce the maximum number of shares of Stock remaining available for use under the Plan. The Company shall at all times during the term of the Plan and while any Options are outstanding retain as authorized and unissued Stock, or as Stock in the Company's treasury, at least the number of shares from time to time required under the provisions of the Plan, or otherwise assure itself of its ability to perform its obligations hereunder.

4.2 Other Shares of Stock. Any shares of Stock that are subject to an Option which expires, is forfeited, is cancelled, or for any reason is terminated unexercised, and any shares of Stock that for any other reason are not issued to a Participant or are forfeited shall automatically become available for use under the Plan.

4.3 Adjustments for Stock Split, Stock Dividend, Etc. If the Company shall at any time increase or decrease the number of its outstanding shares of Stock or change in any way the rights and privileges of such shares by means of the payment of a Stock dividend or any other distribution upon such shares payable in Stock, or through a Stock split, subdivision, consolidation, combination, reclassification or recapitalization involving the Stock, then in relation to the Stock that is affected by one or more of the above events, the numbers, rights and privileges of the following shall be increased, decreased or changed in like manner as if they had been issued and outstanding, fully paid and nonassessable at the time of such occurrence: (i) the shares of Stock as to which Options may be granted under the Plan; and (ii) the shares of the Stock then included in each outstanding Option granted hereunder.

4.4 Dividend Payable in Stock of Another Corporation, Etc. If the Company shall at any time pay or make any dividend or other distribution upon the Stock payable in securities or other property (except money or Stock), a proportionate part of such securities or other property shall be set aside and delivered to any Participant then holding an Option for the particular type of Stock for which the dividend or other distribution was made, upon exercise thereof. Prior to the time that any such securities or other property are delivered to a Participant in accordance with the foregoing, the Company shall be the owner of such securities or other property and shall have the right to vote the securities, receive any dividends payable on such securities, and in all other respects shall be treated as the owner. If securities or other property which have been set aside by the Company in accordance with this Section are not delivered to a Participant because an Option is not exercised, then such securities or other property shall remain the property of the Company and shall be dealt with by the Company as it shall determine in its sole discretion.

4.5 Other Changes in Stock. In the event there shall be any change, other than as specified in Sections 4.3 and 4.4 hereof, in the number or kind of outstanding shares of Stock or of any stock or other securities into which the Stock shall be changed or for which it shall have been exchanged, and if the Committee shall in its discretion determine that such change equitably requires an adjustment in the number or kind of shares subject to outstanding Options or which have been reserved for issuance pursuant to the Plan but are not then subject to an Option, then such adjustments shall be made by the Committee and shall be effective for all purposes of the Plan and on each outstanding Option that involves the particular type of stock for which a change was effected.

4.6 Rights to Subscribe. If the Company shall at any time grant to the holders of its Stock rights to subscribe pro rata for additional shares thereof or for any

other securities of the Company or of any other corporation, there shall be reserved with respect to the shares then under Option to any Participant of the particular class of Stock involved the Stock or other securities which the Participant would have been entitled to subscribe for if immediately prior to such grant the Participant had exercised his entire Option. If, upon exercise of any such Option, the Participant subscribes for the additional shares or other securities, the aggregate Option Price shall be increased by the amount of the price that is payable by the Participant for such additional shares or other securities.

4.7 General Adjustment Rules. No adjustment or substitution provided for in this Section 4 shall require the Company to sell a fractional share of Stock under any Option, or otherwise issue a fractional share of Stock, and the total substitution or adjustment with respect to each Option shall be limited by deleting any fractional share. In the case of any such substitution or adjustment, the aggregate Option Price for the shares of Stock then subject to the Option shall remain unchanged but the Option Price per share under each such Option shall be equitably adjusted by the Committee to reflect the greater or lesser number of shares of Stock or other securities into which the Stock subject to the Option may have been changed.

4.8 Determination by the Committee, Etc. Adjustments under this Section 4 shall be made by the Committee, whose determinations with regard thereto shall be final and binding upon all parties.

SECTION 5

REORGANIZATION OR LIQUIDATION

In the event that the Company is merged or consolidated with another corporation and the Company is not the surviving corporation, or if all or substantially all of the assets or more than 20 percent of the outstanding voting stock of the Company is acquired by any other corporation, business entity or person, or in case of a reorganization (other than a reorganization under the United States Bankruptcy Code) or liquidation of the Company, and if the provisions of Section 8 hereof do not apply, the Committee, or the board of directors of any corporation assuming the obligations of the Company, shall, as to the Plan and outstanding Options either (i) make appropriate provision for the adoption and continuation of the Plan by the acquiring or successor corporation and for the protection of any such outstanding Options by the substitution on an equitable basis of appropriate stock of the Company or of the merged, consolidated or otherwise reorganized

corporation which will be issuable with respect to the Stock, provided that no additional benefits shall be conferred upon the Participants holding such Options as a result of such substitution, and the excess of the aggregate Fair Market Value of the shares subject to the Options immediately after such substitution over the aggregate Option Price thereof is not more than the excess of the aggregate Fair Market Value of the shares subject to such Options immediately before such substitution over the aggregate Option Price thereof, or (ii) upon written notice to the Participants, provide that all unexercised Options shall be exercised within a specified number of days of the date of such notice or such Options will be terminated. In the latter event, the Committee shall accelerate the vesting dates of outstanding Options so that all Options become fully vested and exercisable prior to any such event.

SECTION 6

PARTICIPATION

Participants in the Plan shall be those Eligible Employees who, in the judgment of the Committee, are performing, or during the term of their incentive arrangement will perform, vital services in the management, operation and development of the Company or an Affiliated Corporation, and significantly contribute, or are expected to significantly contribute, to the achievement of the Company's long-term corporate economic objectives. Participants may be granted from time to time one or more Options; provided, however, that the grant of each such Option shall be separately approved by the Committee, and receipt of one such Option shall not result in automatic receipt of any other Option. Upon determination by the Committee that an Option is to be granted to a Participant, written notice shall be given to such person, specifying the terms, conditions, rights and duties related thereto. Each Participant shall, if required by the Committee, enter into an agreement with the Company, in such form as the Committee shall determine and which is consistent with the provisions of the Plan, specifying such terms, conditions, rights and duties. Options shall be deemed to be granted as of the date specified in the grant resolution of the Committee, which date shall be the date of any related agreement with the Participant. In the event of any inconsistency between the provisions of the Plan and any such agreement entered into hereunder, the provisions of the Plan shall govern.

SECTION 7

STOCK OPTIONS

7.1 Grant of Stock Options. Coincident with or following designation for participation in the Plan, an Eligible Employee may be granted one or more Options. Grants of Options under the Plan shall be made by the Committee. In no event shall the exercise of one Option affect the right to exercise any other Option or affect the number of shares of Stock for which any other Option may be exercised, except as provided in subsection 7.2(j) hereof. During the duration of the Plan, no Eligible Employee may be granted Options which in the aggregate cover in excess of 25 percent of the total shares of Stock authorized under the Plan.

7.2 Stock Option Agreements. Each Option granted under the Plan shall be evidenced by a written stock option agreement which shall be entered into by the Company and the Participant to whom the Option is granted (the "Stock Option Agreement"), and which shall contain the following terms and conditions, as well as such other terms and conditions, not inconsistent therewith, as the Committee may consider appropriate in each case:

(a) Number of Shares. Each Stock Option Agreement shall state that it covers a specified number of shares of Stock, as determined by the Committee.

(b) Price. The price at which each share of Stock covered by an Option may be purchased shall be determined in each case by the Committee and set forth in the Stock Option Agreement, but in no event shall the price be less than the Fair Market Value of the Stock on the date the Option is granted.

(c) Duration of Options; Employment Required For Exercise. Each Stock Option Agreement shall state the period of time, determined by the Committee, within which the Option may be exercised by the Participant (the "Option Period"). The Option Period must end, in all cases, not more than ten years from the date an Option is granted. Except as otherwise provided in Sections 5 and 8 and subsections 7.2(d)(iv) and 7.4(a) hereof, each Option granted under the Plan shall become exercisable in increments such that 25 percent of the Option becomes exercisable on each of the four subsequent one-year anniversaries of the date the Option is granted, provided that each such additional 25-percent increment shall become exercisable only if the Participant has been continuously employed by the Company from the date the Option is

granted through the date on which each such additional 25-percent increment becomes exercisable.

(d) Termination of Employment, Death, Disability, Etc. Each Stock Option Agreement shall provide as follows with respect to the exercise of the Option upon termination of the employment or the death of the Participant:

(i) If the employment of the Participant by the Company is terminated within the Option Period for cause, as determined by the Company, the Option shall thereafter be void for all purposes. As used in this subsection 7.2(d), "cause" shall mean a gross violation, as determined by the Company, of the Company's established policies and procedures, provided that the effect of this subsection 7.2(d) shall be limited to determining the consequences of a termination and that nothing in this subsection 7.2(d) shall restrict or otherwise interfere with the Company's discretion with respect to the termination of any employee.

(ii) If the Participant retires from employment by the Company on or after attaining age 60, the Option may be exercised by the Participant within 36 months following his or her retirement (provided that such exercise must occur within the Option Period), but not thereafter. In the event of the Participant's death during such 36-month period, each Option may be exercised by those entitled to do so in the manner referred to in (iv) below. In any such case, the Option may be exercised only as to the shares as to which the Option had become exercisable on or before the date of the Participant's retirement.

(iii) If the Participant becomes disabled (as determined pursuant to the Company's Long-Term Disability Plan or any successor plan), during the Option Period while still employed, or within the three-month period referred to in subsection 7.2(d)(v) below, or within the 36-month period referred to in subsection 7.2(d)(ii) above, the Option may be exercised by the Participant or by his or her guardian or legal representative, within twelve months following the Participant's disability, or within the 36-month period referred to in subsection 7.2(d)(ii) above if applicable and if longer (provided that such exercise must occur within the Option Period), but not thereafter. In the event of the Participant's death during such twelve-month period, each Option may be exercised by those entitled to do so in the manner referred to in subsection 7.2(d)(iv) below. In any such case, the Option may be exercised only as to the shares of Stock as to which the Option had become exercisable on or before the date of the Participant's disability.

(iv) In the event of the Participant's death while still employed by the Company, each Option of the deceased Participant may be exercised by those entitled to do so under the Participant's will or under the laws of descent and distribution within twelve months following the Participant's death (provided that in any event such exercise must occur within the Option Period), but not thereafter, as to all shares of Stock which are subject to such Option, including each 25-percent increment of the Option, if any, which has not yet become exercisable at the time of the Participant's death. In the event of the Participant's death within the 36-month period referred to in subsection 7.2(d)(ii) above or within the twelve-month period referred to in subsection 7.2(d)(iii) above, each Option of the deceased Participant that is exercisable at the time of death may be exercised by those entitled to do so under the Participant's will or under the laws of descent and distribution within twelve months following the Participant's death or within the 36-month period referred to in subsection 7.2(d)(ii) above, if applicable and if longer (provided that in any event such exercise must occur within the Option Period). The provisions of this paragraph (iv) of subsection 7.2(d) shall be applicable to each Stock Option Agreement as if set forth therein word for word. Each Stock Option Agreement executed by the Company prior to the adoption of this provision shall be deemed amended to include the provisions of this paragraph and all Options granted pursuant to such Stock Option Agreements shall be exercisable as provided herein.

(v) If the employment of the Participant by the Company is terminated (which for this purpose means that the Participant is no longer employed by the Company or by an Affiliated Corporation) within the Option Period for any reason other than cause, the Participant's retirement on or after attaining age 60, or the Participant's disability or death, the Option may be exercised by the Participant within three months following the date of such termination (provided that such exercise must occur within the Option Period), but not thereafter. In any such case, the Option may be exercised only as to the shares as to which the Option had become exercisable on or before the date of termination of the Participant's employment.

(e) Transferability. Each Stock Option Agreement shall provide that the Option granted therein is not transferable by the Participant except by will or pursuant to the laws of descent and distribution, and that such Option is exercisable during the Participant's lifetime only by him or her, or in the event of the Participant's disability or incapacity, by his or her guardian or legal representative.

(f) Agreement to Continue in Employment. Each Stock Option Agreement shall contain the Participant's agreement to remain in the employment

of the Company, at the pleasure of the Company, for a continuous period of at least one year after the date of such Stock Option Agreement, at the salary rate in effect on the date of such agreement or at such changed rate as may be fixed, from time to time, by the Company.

(g) Exercise, Payments, Etc.

(i) Each Stock Option Agreement shall provide that the method for exercising the Option granted therein shall be by delivery to the Office of the Secretary of the Company or to the Administrative Agent of written notice specifying the number of shares of Stock with respect to which such Option is exercised and payment to the Company of the aggregate Option Price. Such notice shall be in a form satisfactory to the Committee and shall specify the particular Options (or portions thereof) which are being exercised and the number of shares of Stock with respect to which the Options are being exercised. The exercise of the Option shall be deemed effective on the date such notice is received by the Office of the Secretary or by the Administrative Agent and payment is made to the Company of the aggregate Option Price (the "Exercise Date"); however, if payment of the aggregate Option Price is made pursuant to a sale of shares of Stock as contemplated by subsection 7.2(g)(iii)(F) below, the Exercise Date shall be deemed to be the date of such sale. If requested by the Company, such notice shall contain the Participant's representation that he or she is purchasing the Stock for investment purposes only and his or her agreement not to sell any Stock so purchased in any manner that is in violation of the Securities Act of 1933, as amended, or any applicable state law, and such restriction, or notice thereof, shall be placed on the certificates representing the Stock so purchased. The purchase of such Stock shall take place upon delivery of such notice to the Office of the Secretary of the Company or to the Administrative Agent, at which time the aggregate Option Price shall be paid in full to the Company by any of the methods or any combination of the methods set forth in subsection 7.2(g)(iii) below.

(ii) Except as referenced below in connection with the Deferred Delivery Plan, the shares of Stock to which the Participant is entitled as a result of the exercise of the Option shall be issued by the Company and (A) delivered by electronic means to an account designated by the Participant, or (B) delivered to the Participant in the form of a properly executed certificate or certificates representing such shares of Stock. If shares of Stock and/or Depositary Shares are used to pay all or part of the aggregate Option Price, the Company shall issue and deliver to the Participant the additional shares of Stock, in excess of the aggregate Option Price or portion thereof paid using shares of Stock or Depositary Shares, to which the Participant is entitled as a result of the Option

exercise. If the Participant exercising an Option (x) is eligible for participation in the Deferred Delivery Plan, (y) pays the aggregate Option Price pursuant to subsection 7.2(g)(iii)(A), (B), (C), (D) or (E) below, and (z) has made an irrevocable election at least six months prior to the Exercise Date as required under the Deferred Delivery Plan, the income resulting from the Option exercise shall be deferred into the Participant's Deferred Delivery Plan account and no additional shares of Stock shall be delivered to the Participant.

(iii) the aggregate Option Price shall be paid by any of the following methods or any combination of the following methods:

(A) in cash, including the wire transfer of funds in U.S. dollars to one of the Company's bank accounts located in the United States, with such bank account to be designated from time to time by the Company;

(B) by personal, certified or cashier's check payable in U.S. dollars to the order of the Company;

(C) by delivery to the Company or the Administrative Agent of certificates representing a number of shares of Stock then owned by the Participant, the aggregate Fair Market Value of which (as of the Exercise Date) is not greater than the aggregate Option Price of the Option being exercised, properly endorsed for transfer to the Company, provided that the shares of Stock used for this purpose must have been owned by the Participant for a period of at least six months;

(D) by certification or attestation to the Company or the Administrative Agent of the Participant's ownership (as of the Exercise Date) of a number of shares of Stock and/or Depositary Shares, the aggregate Fair Market Value of which (as of the Exercise Date) is not greater than the aggregate Option Price of the Option being exercised, provided that the shares of Stock and/or Depositary Shares used for this purpose have been owned by the Participant for a period of at least six months;

(E) if the income resulting from the Option exercise is to be deferred into the Participant's Deferred Delivery Plan account, by certification or attestation to the Company or the Administrative Agent of the Participant's ownership (as of the Exercise Date) of a number of vested Stock Units held in the Participant's Deferred Delivery Plan account, the equivalent aggregate Fair Market Value of which (as of the Exercise Date) is not greater than the aggregate Option Price of the Option being exercised, provided that the Stock Units used for this purpose were vested as of the Exercise Date; or

(F) by delivery to the Company or the Administrative Agent of a properly executed notice of exercise together with irrevocable instructions to a broker to promptly deliver to the Company, by wire transfer or check as noted in subsection 7.2(g)(iii)(A) and (B) above, the amount of the proceeds of the sale of all or a portion of the Stock or of a loan from the broker to the Participant necessary to pay the aggregate Option Price.

(iv) For purposes of the Plan, the income resulting from an Option exercise shall be based on the Fair Market Value of the Stock for the Exercise Date; however, if payment of the aggregate Option Price is made pursuant to a sale of shares of Stock as contemplated by subsection 7.2(g)(iii)(F) hereof, the Fair Market Value shall be deemed to be the per share sale price and the Exercise Date shall be deemed to be the date of such sale.

(h) Date of Grant. An Option shall be considered as having been granted on the date specified in the grant resolution of the Committee.

(i) Tax Withholding. Each Stock Option Agreement shall provide that, upon exercise of the Option, the Participant shall make appropriate arrangements with the Company to provide for the amount of tax withholding required by Sections 3102 and 3402 or any successor section(s) of the Internal Revenue Code and applicable state and local income and other tax laws, including payment of such taxes in cash, by check, or as provided in Section 13.2 hereof.

(j) Adjustment of Options. Subject to the provisions of Sections 4, 5, 7, 8 and 12 hereof, the Committee may make any adjustment in the number of shares of Stock covered by, or the terms of an outstanding Option and a subsequent granting of an Option, by amendment or by substitution for an outstanding Option; however, except as provided in Sections 4, 5, 8 and 12 hereof, the Committee may not adjust the Option Price of any outstanding Option. Such amendment or substitution may result in terms and conditions (including the number of shares of Stock covered, vesting schedule or Option Period) that differ from the terms and conditions of the original Option. The Committee may not, however, adversely affect the rights of any Participant to previously granted Options without the consent of such Participant. If such action is effected by amendment, the effective date of such amendment will be the date of grant of the original Option.

7.3 Stockholder Privileges. No Participant shall have any rights as a stockholder with respect to any shares of Stock covered by an Option until the Participant becomes the holder of record of such Stock. Except as provided in

Section 4 hereof, no adjustments shall be made for dividends or other distributions or other rights as to which there is a record date preceding the date on which such Participant becomes the holder of record of such Stock.

7.4 Reload Provisions.

(a) The Committee shall have the authority, but not an obligation, to include as a part of any Stock Option Agreement provisions under which the Participant shall be granted a further option (a "Reload Option") when the Participant exercises all or part of the Option represented by such Stock Option Agreement and pays all or part of the aggregate Option Price and/or required or excess tax withholding pursuant to subsections 7.2(g)(iii)(C), (D) or (E) and/or subsections 13.2(a), (b) or (c) and/or subsections 13.3(a) or (b) hereof. Any Option including such reload provisions shall become exercisable in increments such that 25 percent of the Option becomes exercisable on the dates six months, 12 months, 18 months and 24 months following the date the Option is granted, provided that each such additional 25-percent increment shall become exercisable only if the Participant has been continuously employed by the Company from the date the Option is granted through the date on which such additional 25-percent increment becomes exercisable.

(b) Any shares of Stock issued to a Participant as a result of an Option exercise which resulted in the grant of a Reload Option, may not be sold or otherwise disposed of until the term of the original Option has expired or the Participant is no longer employed by the Company or by an Affiliated Corporation. Any Stock Units acquired by a Participant as a result of the deferral of income (pursuant to subsection 7.2(g)(ii) hereof) in connection with an Option exercise which resulted in the grant of a Reload Option, may not be sold or otherwise disposed of until the shares of Stock relating to such Stock Units are distributed under the terms of the Deferred Delivery Plan.

(c) A Reload Option shall be granted, without further action of the Committee or the Participant, if one or more of the payment provisions referenced in subsection 7.4(a) above are used and if all of the following are satisfied as of the date of exercise of the underlying Option:

(i) the Participant has not previously been granted a Reload Option or there has been a period of more than six months since the Participant was last granted a Reload Option;

(ii) no shares of Stock have been sold or otherwise disposed of in breach of the provisions of subsection 7.4(b) above;

(iii) the Fair Market Value of the shares of Stock covered by the original Option being exercised is at least ten percent greater than the Option Price for such shares; and

(iv) there is a period of more than six months remaining in the term of the original Option.

(d) Each Reload Option:

(i) shall cover that certain number of shares of Stock equal to the shares or equivalent shares of Stock actually or constructively delivered to the Company as referenced in subsection 7.4(a) above;

(ii) shall be deemed to be granted as of the date on which the original Option is exercised and shall have an Option Price of 100 percent of Fair Market Value on such date;

(iii) shall become exercisable six months after the date of grant and shall have the same Expiration Date as the original Option; and

(iv) except as set forth in subsections 7.4(d)(i), (ii) and (iii) above, shall have the same terms and conditions as those of the original Option.

SECTION 8

CHANGE OF CONTROL

8.1 In General. In the event of the occurrence of a change of control of the Company, as defined in Section 8.3 hereof, all outstanding Options shall become automatically vested, without further action by the Committee or the Board, so as to make all such Options fully vested and exercisable as of the date of such change of control.

8.2 Limitation on Payments. If the provisions of this Section 8 would result in the receipt by any Participant of a payment within the meaning of Section 280G or any successor section(s) of the Internal Revenue Code, and the regulations promulgated thereunder, and if the receipt of such payment by any Participant would, in the opinion of independent tax counsel of recognized standing selected by the Company, result in the payment by such Participant of any excise tax provided for in Sections 280G and 4999 or any successor section(s) of the Internal Revenue Code, then the amount of such payment shall be reduced to the

extent required, in the opinion of independent tax counsel, to prevent the imposition of such excise tax; provided, however, that the Committee, in its sole discretion, may authorize the payment of all or any portion of the amount of such reduction to the Participant.

8.3 Definition. For purposes of the Plan, a "change of control" shall mean any of the events specified in the Company's Income Continuance Plan or any successor plan which constitute a change of control within the meaning of such plan.

SECTION 9

RIGHTS OF EMPLOYEES, PARTICIPANTS

9.1 Employment. Nothing contained in the Plan or in any Option granted under the Plan shall confer upon any Participant any right with respect to the continuation of his or her employment by the Company or any Affiliated Corporation, or interfere in any way with the right of the Company or any Affiliated Corporation, subject to the terms of any separate employment agreement to the contrary, at any time to terminate such employment or to increase or decrease the level of the Participant's compensation from the level in existence at the time of the grant of an Option. Whether an authorized leave of absence, or absence in military or government service, shall constitute a termination of employment shall be determined by the Committee at the time.

9.2 Nontransferability. No right or interest of any Participant in an Option granted pursuant to the Plan shall be assignable or transferable during the lifetime of the Participant, either voluntarily or involuntarily, or subjected to any lien, directly or indirectly, by operation of law, or otherwise, including execution, levy, garnishment, attachment, pledge or bankruptcy. In the event of a Participant's death, a Participant's rights and interests in Options shall, to the extent provided in Section 7 hereof, be transferable by testamentary will or the laws of descent and distribution, and payment of any amounts due under the Plan shall be made to, and exercise of any Options may be made by, the Participant's legal representatives, heirs or legatees. If, in the opinion of the Committee, a person entitled to payments or to exercise rights with respect to the Plan is disabled from caring for his or her affairs because of mental condition, physical condition or age, payment due such person may be made to, and such rights shall be exercised by, such person's guardian, conservator or other legal personal representative upon furnishing the Committee with evidence of such status satisfactory to the Committee.

SECTION 10

GENERAL RESTRICTIONS

10.1 Investment Representations. The Company may require a Participant, as a condition of exercising an Option, to give written assurances in substance and form satisfactory to the Company and its counsel to the effect that such person is acquiring the Stock subject to the Option for his own account for investment and not with any present intention of selling or otherwise distributing the same, and to such other effects as the Company deems necessary or appropriate in order to comply with federal and applicable state securities laws.

10.2 Compliance with Securities Laws. Each Option shall be subject to the requirement that, if at any time counsel to the Company shall determine that the listing, registration or qualification of the shares of Stock subject to such Option upon any securities exchange or under any state or federal law, or the consent or approval of any governmental or regulatory body, is necessary as a condition of, or in connection with, the issuance or purchase of shares of Stock thereunder, such Option may not be accepted or exercised in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained on conditions acceptable to the Committee. Nothing herein shall be deemed to require the Company to apply for or to obtain such listing, registration, qualification, consent or approval.

SECTION 11

OTHER EMPLOYEE BENEFITS

The amount of any income deemed to be received by a Participant as a result of an Option exercise shall not constitute "earnings" or "compensation" with respect to which any other employee benefits of such Participant are determined including, without limitation, benefits under any pension, profit sharing, life insurance or salary continuation plan.

SECTION 12

PLAN AMENDMENT, MODIFICATION AND TERMINATION

The Board may at any time terminate, and from time to time may amend or modify the Plan provided, however, that no amendment or modification may become effective without approval of the amendment or modification by the Company's stockholders if stockholder approval is required to enable the Plan to satisfy any applicable statutory or regulatory requirements unless the Company, on the advice of counsel, determines that stockholder approval is otherwise necessary or desirable.

No amendment, modification or termination of the Plan shall in any manner adversely affect any Option theretofore granted under the Plan, without the consent of the Participant holding such Option.

The Committee shall have the authority to adopt such modifications, procedures and subplans as may be necessary or desirable to comply with the provisions of the laws (including, but not limited to, tax laws and regulations) of countries other than the United States in which the Company may operate, so as to assure the viability of the benefits of the Plan to Participants employed in such countries.

SECTION 13

WITHHOLDING

13.1 Withholding Requirement. The Company's obligations to deliver shares of Stock upon the exercise of an Option, or to defer income resulting from an Option exercise into the Deferred Delivery Plan, shall be subject to the Participant's satisfaction of all applicable federal, state and local income and other tax withholding requirements.

13.2 Satisfaction of Required Withholding. At the time the Committee grants an Option, it may, in its sole discretion, grant the Participant an election to pay all such amounts of required tax withholding, or any part thereof:

(a) by the delivery to the Company or the Administrative Agent of a number of shares of Stock then owned by the Participant, the aggregate Fair Market Value of which (as of the Exercise Date) is not greater than the amount required

to be withheld, provided that such shares have been held by the Participant for a period of at least six months;

(b) by certification or attestation to the Company or the Administrative Agent of the Participant's ownership (as of the Exercise Date) of a number of shares of Stock and/or Depositary Shares, the aggregate Fair Market Value of which (as of the Exercise Date) is not greater than the amount required to be withheld, provided that such shares of Stock and/or Depositary Shares have been owned by the Participant for a period of at least six months;

(c) if the income resulting from the Option exercise is to be deferred into the Participant's Deferred Delivery Plan account, by certification or attestation to the Company or the Administrative Agent of the Participant's ownership (as of the Exercise Date) of a number of vested Stock Units held in the Participant's Deferred Delivery Plan account, the equivalent aggregate Fair Market Value of which (as of the Exercise Date) is not greater than the amount required to be withheld, provided that such Stock Units were vested as of the Exercise Date; or

(d) by the Company or the Administrative Agent withholding from the shares of Stock otherwise issuable to the Participant upon exercise of the Option, a number of shares of Stock, the aggregate Fair Market Value of which (as of the Exercise Date) is not greater than the amount required to be withheld. Any such elections by Participants to have shares of Stock withheld for this purpose will be subject to the following restrictions:

(i) all elections shall be made on or prior to the Exercise Date;

and

(ii) all elections shall be irrevocable.

13.3 Excess Withholding. At the time the Committee grants an Option, it may, in its sole discretion, grant the Participant an election to pay additional or excess amounts of tax withholding, beyond the required amounts and up to the Participant's marginal tax rate:

(a) by delivery to the Company or the Administrative Agent of a number of Shares of Stock then owned by the Participant, the aggregate Fair Market Value of which (as of the Exercise Date) is not greater than such excess withholding amount, provided that such shares of Stock have been owned by the Participant for a period of at least six months; or

(b) by certification or attestation to the Company or the Administrative Agent of the Participant's ownership (as of the Exercise Date) of a number of shares of Stock and/or Depositary Shares, the aggregate Fair Market Value of which (as of the Exercise Date) is not greater than such excess withholding amount, provided that such shares of Stock and/or Depositary Shares have been owned by the Participant for a period of at least six months.

13.4 Section 16 Requirements. If the Participant is an officer or director of the Company within the meaning of Section 16 or any successor section(s) of the 1934 Act ("Section 16"), the Participant must satisfy the requirements of such Section 16 and any applicable rules and regulations thereunder with respect to the use of shares of Stock, Depositary Shares and/or Stock Units to satisfy such tax withholding obligation.

SECTION 14

REQUIREMENTS OF LAW

14.1 Requirements of Law. The issuance of Stock and the payment of cash pursuant to the Plan shall be subject to all applicable laws, rules and regulations.

14.2 Federal Securities Laws Requirements. If a Participant is an officer or director of the Company within the meaning of Section 16, Options granted hereunder shall be subject to all conditions required under Rule 16b-3, or any successor rule(s) promulgated under the 1934 Act, to qualify the Option for any exception from the provisions of Section 16 available under such Rule. Such conditions are hereby incorporated herein by reference and shall be set forth in the Stock Option Agreement with the Participant which describes the Option.

14.3 Governing Law. The Plan and all Stock Option Agreements hereunder shall be construed in accordance with and governed by the laws of the State of Texas.

SECTION 15

DURATION OF THE PLAN

The Plan shall terminate at such time as may be determined by the Board, and no Option shall be granted after such termination. If not sooner terminated under the preceding sentence, the Plan shall fully cease and expire at midnight on February 10, 2005. Any Options outstanding at the time of the Plan termination shall continue to be exercisable in accordance with the Stock Option Agreement pertaining to each such Option.

Dated: May 3, 2001

APACHE CORPORATION

ATTEST:

/s/ Cheri L. Peper

Cheri L. Peper
Corporate Secretary

By: /s/ Jeffrey M. Bender

Jeffrey M. Bender
Vice President, Human Resources

APACHE CORPORATION

2000 SHARE APPRECIATION PLAN
"120 BY '04"

(AS AMENDED AND RESTATED MAY 3, 2001)

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APACHE CORPORATION
2000 SHARE APPRECIATION PLAN
(AS AMENDED AND RESTATED MAY 3, 2001)

SECTION 1

INTRODUCTION

1.1 Establishment. Apache Corporation, a Delaware corporation (hereinafter referred to, together with its Affiliated Corporations (as defined below) as the "Company" except where the context otherwise requires), hereby establishes the Apache Corporation 2000 Share Appreciation Plan (the "Plan"), effective as of October 12, 2000.

1.2 Purposes. The primary purpose of this Plan is to focus the energies of the Company's employees on significantly increasing shareholder wealth through stock price appreciation to share prices of \$100, \$120 and \$180 and a doubling of the Company's currently projected oil and gas production per share for calendar year 2000. The share price goals of this Plan seek to increase shareholder wealth by approximately \$5.2 to \$7.8 billion dollars with the Company's employees sharing in approximately three percent of the additional shareholder value created. The production goal is designed to inspire the Company's employees to significantly improve the one factor that is most within the control of the Company, production, and that is involved in determining the Company's earnings per share and cash flow per share. Additional purposes of this Plan include the retention of existing key employees and as an additional inducement in the recruitment of talented personnel in a competitive environment.

SECTION 2

DEFINITIONS

2.1 Definitions. The following terms shall have the meanings set forth below:

"Affiliated Corporation" means any corporation or other entity (including but not limited to a partnership) which is affiliated with Apache Corporation through stock ownership or otherwise and is treated as a common employer under the provisions of Sections 414(b) and (c) or any successor section(s) of the Internal Revenue Code.

"Base Salary" means, with regard to any Participant, such Participant's base compensation as an employee of the Company at the date of award of a Plan Unit (except for the calculation of the Independent Production Goal Amount, in which case the date shall be the Independent Production Goal Date), without regard to any bonus, pension, profit sharing, stock option, life insurance or salary continuation plan which the Participant either receives or is otherwise entitled to have paid on his behalf.

"Board" means the Board of Directors of the Company.

"Category" means one of the three groupings of Participants in the Plan whose Plan Units represent the right to receive the same multiple of their base salary for each Payout Amount.

"Committee" means the Stock Option Plan Committee of the Board or such other Committee of the Board that is empowered hereunder to administer the Plan. The Committee shall be constituted at all times so as to permit the Plan to be administered by "non-employee directors" (as defined in Rule 16b-3 of the Securities Exchange Act of 1934, as amended).

"Deferred Delivery Plan" means the Company's Deferred Delivery Plan, effective as of February 10, 2000, as it may be amended from time to time, or any successor plan.

"Eligible Employees" means those full-time employees (including, without limitation, the Company's executive officers), and certain part-time employees, of the Company.

"Fair Market Value" means the closing price of the Stock as reported on The New York Stock Exchange, Inc. Composite Transactions Reporting System ("Composite Tape") for a particular date. If there are no Stock transactions on such date, the Fair Market Value shall be determined as of the immediately preceding date on which there were Stock transactions.

"Final Amount" means with regard to any:

(a) Category I Participant, such number of shares of Stock (rounded down to the nearest full share) which equals two (2) times such Participant's Base Salary divided by \$180;

(b) Category II Participant, such number of shares of Stock (rounded down to the nearest full share) which equals one (1) times such Participant's Base Salary divided by \$180; and

(c) Category III Participant, such number of shares of Stock (rounded down to the nearest full share) which equals 50 percent (.50) times such Participant's Base Salary divided by \$180;

which amount, in each case, shall be fixed and not subject to adjustment due to market fluctuation.

"Final Price Threshold Date" means the last of any 10 trading days (which need not be consecutive) during any period of 30 consecutive trading days occurring prior to January 1, 2005, but not thereafter, on each of which 10 days the closing price of the Stock as reported on the Composite Tape equaled or exceeded \$180 per share. If the above trading criteria are met more than once, the first occurrence shall be deemed to be the Final Price Threshold Date.

"Final Plan Unit" means an investment unit convertible into the applicable Final Amount for a Participant upon occurrence of the Final Price Threshold Date.

"Grant" has the meaning set forth in Section 6 hereof.

"Grant Agreement" has the meaning set forth in Section 6 hereof.

"Independent Production Goal Amount" means with regard to any:

(a) Category I Participant, such number of shares of Stock (rounded down to the nearest full share) which equals one and one half (1.5) times such Participant's Base Salary divided by the Independent Production Goal Price;

(b) Category II Participant, such number of shares of Stock (rounded down to the nearest full share) which equals 75 percent (.75) times such Participant's Base Salary divided by the Independent Production Goal Price; and

(c) Category III Participant, such number of shares of Stock (rounded down to the nearest full share) which equals 37.5 percent (.375) times such Participant's Base Salary divided by the Independent Production Goal Price;

which amount, in each case, shall be fixed and not subject to adjustment due to market fluctuation.

"Independent Production Goal Date" means the last day of any fiscal quarter ending on or before December 31, 2004 during which fiscal quarter the Company's average daily production (calculated on an annualized basis) equals or exceeds 1.54 barrels of oil equivalent per outstanding share of Stock (calculated on a fully diluted basis), as confirmed by the Company's independent auditors. If the above production criterion is met more than once, the first occurrence shall be deemed to be the Independent Production Goal Date.

"Independent Production Goal Price" means the average daily closing price of the Stock as reported on the Composite Tape for the quarter ending on the Independent Production Goal Date.

"Independent Production Goal Plan Unit" means an investment unit convertible into the applicable Independent Production Goal Amount for a Participant upon occurrence of the Independent Production Goal Date.

"Initial Amount" means with regard to any:

(a) Category I Participant, such number of shares of Stock (rounded down to the nearest full share) which equals one (1) times such Participant's Base Salary divided by \$100;

(b) Category II Participant, such number of shares of Stock (rounded down to the nearest full share) which equals 50 percent (.50) times such Participant's Base Salary divided by \$100; and

(c) Category III Participant, such number of shares of Stock (rounded down to the nearest full share) which equals 25 percent (.25) times such Participant's Base Salary divided by \$100;

which amount, in each case, shall be fixed and not subject to adjustment due to market fluctuation.

"Initial Price Threshold Date" means the last of any 10 trading days (which need not be consecutive) during any period of 30 consecutive trading days occurring prior to January 1, 2005, but not thereafter, on each of which 10 days the closing price of the Stock as reported on the Composite Tape equaled or exceeded \$100 per share. If the above trading criteria are met more than once, the first occurrence shall be deemed to be the Initial Price Threshold Date.

"Initial Plan Unit" means an investment unit convertible into the applicable Initial Amount for a Participant upon occurrence of the Initial Price Threshold Date.

"Internal Revenue Code" means the Internal Revenue Code of 1986, as it may be amended from time to time.

"Participant" means an Eligible Employee designated by the Committee from time to time during the term of the Plan to receive one or more grants of Plan Units under the Plan.

"Payout Amounts" means the Initial Amount, the Secondary Amount, the Final Amount and/or the Independent Production Goal Amount.

"Plan Units" means each of the Initial Plan Units, Secondary Plan Units, Final Plan Units and/or Independent Production Goal Plan Units.

"Price Threshold Date" means the Initial Price Threshold Date, the Secondary Price Threshold Date, the Final Price Threshold Date and/or the Independent Production Goal Date, as the context may require.

"Secondary Amount" means with regard to any:

(a) Category I Participant, such number of shares of Stock (rounded down to the nearest full share) which equals three (3) times such Participant's Base Salary divided by \$120;

(b) Category II Participant, such number of shares of Stock (rounded down to the nearest full share) which equals one and one half (1.5) times such Participant's Base Salary divided by \$120; and

(c) Category III Participant, such number of shares of Stock (rounded down to the nearest full share) which equals 75 percent (.75) times such Participant's Base Salary divided by \$120;

which amount, in each case, shall be fixed and not subject to adjustment due to market fluctuation.

"Secondary Price Threshold Date" means the last of any 10 trading days (which need not be consecutive) during any period of 30 consecutive trading days occurring prior to January 1, 2005, but not thereafter, on each of which 10 days the closing price of the Stock as reported on the Composite Tape equaled or exceeded \$120 per share. If the above trading criteria are met more than once, the first occurrence shall be deemed to be the Secondary Price Threshold Date.

"Secondary Plan Unit" means an investment unit convertible into the applicable Secondary Amount for a Participant upon occurrence of the Secondary Price Threshold Date.

"Stock" means the \$1.25 par value Common Stock of the Company.

"Stock Units" means investment units under the Deferred Delivery Plan, each of which is deemed to be equivalent to one share of Stock.

2.2 Headings; Gender and Number. The headings contained in the Plan are for reference purposes only and shall not affect in any way the meaning or interpretation of the Plan. Except when otherwise indicated by the context, the masculine gender shall also include the feminine gender, and the definition of any term herein in the singular shall also include the plural.

SECTION 3

PLAN ADMINISTRATION

The Plan shall be administered by the Committee. In accordance with the provisions of the Plan, the Committee shall, in its sole discretion, adopt rules and regulations for carrying out the purposes of the Plan, including, without limitation, selecting the Participants from among the Eligible Employees and the Category of participation for each Participant, appointing designees or agents (who need not be members of the Committee or employees of the Company) to assist the Committee with the administration of the Plan, and establish such other terms and requirements as the Committee may deem necessary or desirable and consistent with the terms of the Plan. No member of the Committee shall be liable for any action or determination made in good faith. The determinations, interpretations and other actions of the Committee pursuant to the provisions of the Plan shall be binding and conclusive for all purposes and on all persons.

SECTION 4

STOCK SUBJECT TO THE PLAN

4.1 Number of Shares. Subject to Sections 4.3 and Section 6.1 hereof, up to three million five hundred thousand (3,500,000) shares of Stock are authorized for issuance under the Plan upon conversion of any Plan Units in accordance with the Plan's terms and subject to such restrictions or other provisions as the Committee may from time to time deem necessary. Shares of Stock which may

be issued pursuant to the conversion of any Plan Units awarded hereunder shall be applied to reduce the maximum number of shares of Stock remaining available for use under the Plan. The Company shall at all times during the term of the Plan and while any Plan Units are outstanding retain as authorized and unissued Stock and/or Stock in the Company's treasury, at least the number of shares from time to time required under the provisions of the Plan, or otherwise assure itself of its ability to perform its obligations hereunder.

4.2 Other Shares of Stock. Any shares of Stock that are subject to issuance upon conversion of a Plan Unit which expires, is forfeited, is cancelled, or for any reason is terminated, and any shares of Stock that for any other reason are not issued to a Participant or are forfeited shall automatically become available for use under the Plan.

4.3 Certain Adjustments. If the Company shall at any time increase or decrease the number of its outstanding shares of Stock (other than by way of issuing Stock in a public or private offering for cash or property) or change in any way the rights and privileges of such shares by means of a Stock dividend or any other distribution upon such shares payable in Stock, or through a Stock split, subdivision, consolidation, combination, reclassification or recapitalization involving the Stock or a subscription for shares of Stock that has the effect of diluting the Company's capital (hereinafter a "capital restructuring"), then for purposes of determining the entitlement to payments under Section 6, (i) the number of shares authorized for issuance under this Section 4, and (ii) the \$100 per share amount, \$120 per share amount and \$180 per share amount referenced in Section 1 and contained in the definitions set forth in Section 2 hereof and the amount of production required to attain the Independent Production Goal shall be, in each case, equitably and proportionally adjusted to take into account any capital restructuring. Any adjustment under this Section shall be made by the Committee, whose determination with regard thereto, including whether any adjustment is needed, shall be final and binding upon all parties.

SECTION 5

REORGANIZATION OR LIQUIDATION

In the event that the Company is merged or consolidated with another corporation and the Company is not the surviving corporation, or if all or substantially all of the assets or more than 20 percent of the outstanding voting stock of the Company is acquired by any other corporation, business entity or person, or in case of a reorganization (other than a reorganization under the United States Bankruptcy Code) or liquidation of the Company, and if the provisions of Section 7 hereof do not apply, the Committee, or the board of directors of any corporation assuming the obligations of the Company, shall, as to the Plan and outstanding Plan Units either (i) make appropriate provision for the adoption and continuation of the Plan by the acquiring or successor corporation and for the protection of any holders of such outstanding Plan Units by the substitution on an equitable basis of appropriate stock of the Company or of the merged, consolidated or otherwise reorganized corporation which will be issuable with respect to the Stock, provided that no additional benefits shall be conferred upon the Participants holding such Plan Units as a result of such substitution, or (ii) provided that a Price Threshold Date has occurred, upon written notice to the Participants, the Committee may accelerate the vesting and payment dates of the entitlement to receive cash and Stock under outstanding Plan Units so that all such existing entitlements are paid prior to any such event. In the latter event, such acceleration shall only apply to entitlements to cash and Stock payable as the result of the occurrence of the most recent Price Threshold Date and shall not by such acceleration, deem the occurrence of a Price Threshold Date that has not occurred by the date of the notice.

SECTION 6

GRANT OF PLAN UNITS

6.1 Grants. Each Participant may be awarded an initial grant (a "Grant") of Plan Units under this Plan by the Committee, which Grant shall be composed of one Initial Plan Unit, Secondary Plan Unit, Final Plan Unit and Independent Production Goal Unit. The Committee, in its sole discretion, may award additional Grants to any Participant in connection with such Participant's receiving a significant increase in salary and/or a promotion within the Company. Each Grant awarded by the Committee shall be evidenced by a written agreement entered into by the Company and the Participant to whom the Grant is awarded (the "Grant Agreement"), which shall contain the terms and conditions

set out in this Section 6, as well as such other terms and conditions as the Committee may consider appropriate.

6.2 Grant Agreements. Each Grant Agreement entered into by the Company and each Participant shall specify which Category applies for such Participant and contain at least the following terms and conditions. In the event of any inconsistency between the provisions of the Plan and any Grant Agreement, the provisions of the Plan shall govern.

6.2.1 Grant Terms. Each Grant Agreement shall evidence the Grant of Plan Units and entitle the Participant to receive the indicated Plan Units which shall convert into the right to receive a conditional payment of cash and issuance of Stock upon the occurrence of one or more of the Price Threshold Dates, all as set forth below.

(a) If at any time prior to January 1, 2005, the Initial Price Threshold Date occurs, the Participant may become entitled to receive a portion or all of the Initial Amount payable to Participants in such Category, as specified in the applicable Grant Agreement, in accordance with the payment schedule and as otherwise set out in Section 6.2.2.

(b) If at any time prior to January 1, 2005, the Secondary Price Threshold Date occurs, the Participant may become entitled to receive a portion or all of the Secondary Amount payable to Participants in such Category, as specified in the applicable Grant Agreement, in accordance with the payment schedule and as otherwise set out in Section 6.2.2.

(c) If at any time prior to January 1, 2005, the Final Price Threshold Date occurs, the Participant may become entitled to receive a portion or all of the Final Amount payable to Participants in such Category, as specified in the applicable Grant Agreement, in accordance with the payment schedule and as otherwise set out in Section 6.2.2.

(d) If at any time prior to January 1, 2005, the Independent Production Goal Date occurs, the Participant may become entitled to receive a portion or all of the Independent Production Goal Amount payable to Participants in the same Category, as specified in the applicable Grant Agreement, in accordance with the payment schedule and as otherwise set out in Section 6.2.2.

6.2.2 Payment of Payout Amounts. Subject to the provisions of Section 6.3, the Payout Amounts shall be payable in increments strictly in accordance with the following schedule:

(a) The entitlement to receive the first one-third (1/3) of any Payout Amount shall vest on the applicable Price Threshold Date and shall be paid by the Company to the Participant within thirty (30) days of the applicable Price Threshold Date in the manner set out in Section 6.4 below.

(b) The entitlement to receive the remainder of any Payout Amount shall vest and become payable in equal parts on the dates occurring, respectively, 12 months and 24 months after the applicable Price Threshold Date, in the same proportions and amounts as set forth in Section 6.4 below, and shall be paid by the Company to the Participant within thirty (30) days of such date. If any of the above dates is not a business day during which the Company is open for business, such date of vesting or payment shall be the first business date occurring immediately thereafter.

(c) No Payout Amount or portion thereof shall be payable under this Section 6.2.2 if the applicable Price Threshold Date has not occurred prior to January 1, 2005.

6.3 Termination of Employment, Death, Disability, etc. Except as set forth below, each Grant Agreement shall state that each Grant, the Plan Units received thereunder and the right to receive any payment thereunder upon conversion of the Plan Units shall be subject to the condition that the Participant has remained an Eligible Employee from the initial award of a Grant until the applicable vesting date as follows:

(a) If the Participant voluntarily leaves the employment of the Company, or if the employment of the Participant is terminated by the Company for cause or otherwise, any Plan Units not previously converted and the right to receive any Payout Amounts not yet paid in accordance with Section 6.2.2 shall thereafter be void and forfeited for all purposes.

(b) If the Participant retires from employment with the Company on or after attaining age 60, the retired Participant shall be entitled to receive the payments in Stock and cash in accordance with Section 6.2.2, provided that (i) such Participant has certified in writing to the Committee his commitment not to enter into full-time employment or a consulting arrangement with a competitor of the Company, and (ii) the applicable Price Threshold Date has occurred prior to the Participant's last day of employment with the Company. Such retired Participant shall not be entitled to any payment which may arise due to the occurrence of a Price Threshold Date after the effective date of such Participant's retirement. If the retired Participant dies before receiving all of the payments to which he or she is entitled under this Section 6.3(b), such payments shall be made to those entitled under the retired Participant's will or by the laws of descent

and distribution. A failure of the Participant to comply with the undertaking of clause (i) above shall void such Participant's right to payments hereunder.

(c) If the Participant dies, or if the Participant becomes disabled (as determined pursuant to the Company's Long-Term Disability Plan or any successor plan), while still employed, payment in Stock and cash in accordance with Section 6.2.2 shall be made to the disabled Participant or to those entitled under the Participant's will or by the laws of descent and distribution, provided that the applicable Price Threshold Date has occurred prior to the earlier of such Participant's disability or death. There shall be no entitlement to any payment, which may arise due to the occurrence of a Price Threshold Date after the earlier of such Participant's disability or death.

6.4 Payment and Tax Withholding. Each Grant Agreement shall provide that, upon payment of any entitlement upon conversion of any Plan Units, the Participant shall make appropriate arrangements with the Company to provide for the amount of minimum tax withholding required by Sections 3102 and 3402 or any successor section(s) of the Internal Revenue Code and applicable state and local income and other tax laws, as follows:

(a) If upon the achievement of a Threshold Date the credit rating of the Company's long term, unsecured debt is at or above investment grade, then each payment of the related Payout Amount shall be made in a proportion of cash and shares of Stock, determined by the Committee, such that the cash portion shall be sufficient to cover the withholding amount required by this Section. The cash portion of any payment of a Payout Amount shall be based on the Fair Market Value of the shares of Stock on the business day immediately preceding the payment date. Such cash portion shall be withheld by the Company to satisfy applicable tax withholding requirements.

(b) If upon the achievement of a Threshold Date the Company's long term, unsecured debt has a credit rating below investment grade, the Committee, in its sole discretion, may either (i) provide for the payment of the withholding amount required by this Section as set forth in Subsection (a) above or (ii) specify that each payment of the related Payout Amount to a Participant be made only after the Participant has made funds available to the Company sufficient to cover the withholding amount required by this Section. The funds required by this Subsection (b) may be obtained by the Participant by means of a loan from a securities broker or dealer, in which case the Participant may satisfy the requirements hereof by delivering to the Company an irrevocable instruction to such broker or dealer to promptly deliver to the Company, by wire transfer or certified or cashier's check, the funds necessary to meet the Participant's obligations hereunder and such delivery instructions for the shares issuable to the Participant as the broker or dealer may require. The calculation of the funds to be provided by the Participant under this paragraph shall be based on the Fair Market Value of the shares of Stock to be issued to the Participant, on the business day immediately preceding the payment date.

(c) Upon a request made to the Committee by a Participant, the proportion of cash and Stock as set forth in Subsection (a) above may be, but need not be, changed by the Committee, in its sole discretion, to provide for, among other things, special or additional tax burdens on a Participant but, in no event, shall the cash portion of any payment exceed fifty percent (50%).

6.5 Subsequent Grant Agreements. Following the award of Grants in 2000, additional Participants may be designated by the Committee for grants of Plan Units thereafter subject to the same terms and conditions set forth above for initial grants except that the Committee, in its sole discretion, may reduce the value of the Initial Amount, Secondary Amount, Final Amount or Independent Production Goal Amount to which subsequent Participants may become entitled and the applicable Grant Agreement shall be modified to reflect such reduction.

6.6 Stockholder Privileges. No Participant shall have any rights as a stockholder with respect to any shares of Stock into which a Plan Unit is convertible until the Participant becomes the holder of record of such Stock.

6.7 Limitations on Stock Issuable to Officers and Directors. Any provision of the Plan notwithstanding, the total number of shares of Stock issuable to Participants who are directors or officers of the Company (as defined for the purposes of Section 16 of the Securities Exchange Act of 1934, as amended) shall not exceed 49 percent of the total shares issuable under the Plan (the "D&O Limitation"). If the total number of shares of Stock issuable to all of the Company's directors and officers who are Participants in the Plan shall exceed

the D&O Limitation, then the total number of shares of Stock issuable to such Participants shall be reduced to a number equal to the D&O Limitation and the number of shares of Stock issuable to each such Participant upon conversion of any Plan Unit shall be reduced pro rata.

6.8 Deferral of Income. For Participants eligible for participation in the Deferred Delivery Plan, all or a portion of the income resulting from the conversion of Plan Units into Payout Amounts is subject to deferral into the Participant's Deferred Delivery Plan account, if the Participant has made an irrevocable election to make such a deferral, as follows: (a) with respect to the first payment to be made upon the occurrence of a Price Threshold Date, no more than 30 days after the Participant executes the applicable Grant Agreement and/or (b) with respect to any other payment to be made after the occurrence of a Price Threshold Date, at least six months prior to the date such payment is to be made by the Company. If the Participant has complied with the above requirements, all or a portion of the income resulting from any payment upon the conversion of Plan Units into Payout Amounts shall be deferred into the Participant's Deferred Delivery Plan account and no additional cash or shares of Stock shall be delivered to the Participant.

SECTION 7

CHANGE OF CONTROL

7.1 In General. In the event of the occurrence of a change of control of the Company as defined in Section 7.3 hereof, and assuming the occurrence of a Price Threshold Date, the entitlement to receive cash and Stock upon conversion of any Plan Units shall vest automatically, without further action by the Committee or the Board, and shall become payable as follows:

(a) If such change of control occurs subsequent to the occurrence of a Price Threshold Date, (i) the first one-third (1/3) of the applicable Payout Amount shall vest and be paid pursuant to Section 6.2.2(a) hereof, and (ii) the remainder of such Payout Amount shall vest as of the date of such change of control and shall be paid by the Company to the Participant within thirty (30) days of the date of such change of control in the manner set out in Section 6.4 hereof.

(b) If the occurrence of a Price Threshold Date occurs subsequent to the date of a change of control, the applicable Payout Amount shall vest in full as of such Price Threshold Date and shall be paid by the Company to the Participant within thirty (30) days of such Price Threshold Date in the manner set out in Section 6.4 hereof.

7.2 Limitation on Payments. If the provisions of this Section 7 would result in the receipt by any Participant of a payment within the meaning of Section 280G or any successor section(s) of the Internal Revenue Code, and the regulations promulgated thereunder, and if the receipt of such payment by any Participant would, in the opinion of independent tax counsel of recognized standing selected by the Company, result in the payment by such Participant of any excise tax provided for in Sections 280G and 4999 or any successor section(s) of the Internal Revenue Code, then the amount of such payment shall be reduced to the extent required, in the opinion of independent tax counsel, to prevent the imposition of such excise tax; provided, however, that the Committee, in its sole discretion, may authorize the payment of all or any portion of the amount of such reduction to the Participant.

7.3 Definition. For purposes of the Plan, a "change of control" shall mean any of the events specified in the Company's Income Continuance Plan or any successor plan which constitute a change of control within the meaning of such plan.

SECTION 8

RIGHTS OF EMPLOYEES, PARTICIPANTS

8.1 Employment. Neither anything contained in the Plan or any Grant Agreement nor the granting of any Plan Units under the Plan shall confer upon any Participant any right with respect to the continuation of his or her employment by the Company or any Affiliated Corporation, or interfere in any way with the right of the Company or any Affiliated Corporation, at any time to terminate such employment or to increase or decrease the level of the Participant's compensation from the level in existence at the time of the award of Plan Units.

8.2 Non-transferability. No right or interest of any Participant in a Plan Unit granted pursuant to the Plan shall be assignable or transferable during the lifetime of the Participant, either voluntarily or involuntarily, or subjected to any lien, directly or indirectly, by operation of law, or otherwise, including execution, levy, garnishment, attachment, pledge or bankruptcy. In the event of a Participant's death, a Participant's rights and interests in any Plan Unit shall, to the extent provided in Section 6.3 hereof, be transferable by testamentary will or the laws of descent and distribution, and payment of any entitlements due under the Plan shall be made to the Participant's legal representatives, heirs or legatees. If in the opinion of the Committee a person entitled to payments or to exercise rights with respect to the Plan is disabled from caring for his or her affairs because of mental condition, physical condition or age, payment due such

person may be made to, and such rights shall be exercised by, such person's guardian, conservator or other legal personal representative upon furnishing the Committee with evidence satisfactory to the Committee of such status.

SECTION 9

OTHER EMPLOYEE BENEFITS

The amount of any income deemed to be received by a Participant as a result of the payment upon conversion of a Plan Unit shall not constitute "earnings" or "compensation" with respect to which any other employee benefits of such Participant are determined, including without limitation benefits under any pension, profit sharing, life insurance or salary continuation plan.

SECTION 10

PLAN AMENDMENT, MODIFICATION AND TERMINATION

The Committee or the Board may at any time terminate, and from time to time may amend or modify the Plan. No amendment, modification or termination of the Plan shall in any manner adversely affect any Plan Unit theretofore awarded under the Plan, without the consent of the Participant holding such Plan Unit.

The Committee shall have the authority to adopt such modifications, procedures and subplans as may be necessary or desirable to comply with the provisions of the laws (including, but not limited to, tax laws and regulations) of countries other than the United States in which the Company may operate, so as to assure the viability of the benefits of the Plan to Participants employed in such countries.

SECTION 11

REQUIREMENTS OF LAW

11.1 Requirements of Law. The issuance of Stock and the payment of cash pursuant to the Plan shall be subject to all applicable laws, rules and regulations, including applicable federal and state securities laws. The Company may require a Participant, as a condition of receiving payment upon conversion of a Plan Unit, to give written assurances in substance and form satisfactory to the Company and its counsel to such effect as the Company deems necessary or appropriate in order to comply with federal and applicable state securities laws.

11.2 Section 16 Requirements. If a Participant is an officer or director of the Company within the meaning of Section 16, Grants awarded hereunder shall be subject to all conditions required under Rule 16b-3, or any successor rule(s) promulgated under the Securities Exchange Act of 1934, as amended, to qualify the Plan Units for any exemption from the provisions of Section 16 available under such Rule. Such conditions are hereby incorporated herein by reference and shall be set forth in the agreement with the Participant, which describes the Grant.

11.3 Governing Law. The Plan and all Grant Agreements hereunder shall be construed in accordance with and governed by the laws of the State of Texas.

SECTION 12

DURATION OF THE PLAN

The Plan shall terminate at such time as may be determined by the Committee, and no Plan Units shall be awarded after such termination. If not sooner terminated under the preceding sentence, the Plan shall fully cease and expire at midnight on December 31, 2004. Payout Amounts for which one or more of the Price Threshold Dates has occurred and which remain outstanding at the time of the Plan termination shall continue in accordance with the Grant Agreement pertaining to such Plan Units.

Dated: May 3, 2001

APACHE CORPORATION

ATTEST:

/s/ Cheri L. Peper

Cheri L. Peper
Corporate Secretary

By: /s/ Jeffrey M. Bender

Jeffrey M. Bender
Vice President

APACHE CORPORATION
DEFERRED DELIVERY PLAN

As Amended and Restated May 3, 2001

APACHE CORPORATION
DEFERRED DELIVERY PLAN
AS AMENDED AND RESTATED MAY 3, 2001

Apache Corporation ("Apache"), a Delaware corporation (hereinafter referred to, together with its Affiliated Entities (as defined below), as the "Company" except where the context otherwise requires), established the Apache Corporation Deferred Delivery Plan effective as of February 10, 2000. The Plan (as defined below) provides Participants (as defined below) with an opportunity to defer income and permits the grant of Stock Bonus Awards (as defined below) to Participants selected by the Committee (as defined below), in consideration of the valuable past services provided by Participants to the Company.

The Plan is intended to provide Participants with added incentives and to induce them to remain in the employ of the Company. The Company intends that the Plan shall not be treated as a "funded" plan for purposes of either the Code or the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

ARTICLE I
DEFINITIONS

Defined terms used in this Plan shall have the meanings set forth below:

1.01 Account

"Account" means the memorandum account maintained for each Participant to which shall be credited all Deferred Amounts (including any Stock Bonus Award), all Company Match made on behalf of a Participant, and all adjustments thereto.

1.02 Affiliated Entity

"Affiliated Entity" means any corporation or other legal entity (including but not limited to a partnership) which is affiliated with Apache through stock ownership or otherwise and is treated as a common employer under the provisions of Sections 414(b) and (c) or any successor sections of the Code.

1.03 Code

"Code" means the Internal Revenue Code of 1986, as amended.

1.04 Committee

"Committee" means the Stock Option Plan Committee of Apache's Board of Directors.

1.05 Company Match

"Company Match" means the allocations to a Participant's Account made pursuant to Section 3.02.

1.06 Compensation

"Compensation" shall mean the one-time 1999 discretionary award and/or income from (a) any Stock Bonus Award, (b) exercises of non-qualified employee stock options granted to the Participants pursuant to Apache's 1990 Stock Incentive Plan, 1995 Stock Option Plan, 1998 Stock Option Plan, 2000 Stock Option Plan or any future plan under which employee stock options may be granted, and/or (c) any Other Approved Plan. The Committee and/or the Board of Directors may from time to time designate other forms of remuneration that are available for deferral into the Plan.

1.07 Deferred Amounts

"Deferred Amounts" means the amounts of a Participant's Compensation, which are deferred and credited to the Participant's Account pursuant to Section 3.01.

1.08 Election Agreement

"Election Agreement" means an application for participation in the Plan, execution of which by an eligible employee is required under Article II for the Participant to elect or acknowledge Deferred Amounts.

1.09 Fair Market Value

"Fair Market Value" means the per share closing price of the Stock as reported on The New York Stock Exchange, Inc. Composite Transactions Reporting System for a particular date. If there are no Stock transactions on such date, the Fair Market Value shall be determined as of the immediately preceding date on which there were Stock transactions.

1.10 Other Approved Plan

"Other Approved Plan" means the 2000 Share Appreciation Plan and any other compensation or benefit plan which may from time to time be designated by the Committee and/or the Board of Directors.

1.11 Participant

"Participant" means any eligible employee selected to participate in this Plan pursuant to Section 2.01.

1.12 Plan

"Plan" means the Apache Corporation Deferred Delivery Plan as set forth herein, including Annex A.

1.13 Plan Year

"Plan Year" means the period during which the Plan records are kept. The Plan Year shall be the calendar year.

1.14 Stock

"Stock" means the \$1.25 par value common stock of Apache.

1.15 Stock Bonus Award

"Stock Bonus Award" means any grant of Stock Units made pursuant to Annex A.

1.16 Stock Units

"Stock Units" means investment units, each of which is deemed to be equivalent to one share of Stock.

1.17 Trust

"Trust" means the trust or trusts, if any, created by the Company to provide funding for the distribution of benefits in accordance with the provisions of the Plan. The assets of any such Trust shall remain subject to the claims of the Company's general creditors in the event of the Company's insolvency.

1.18 Trust Agreement

"Trust Agreement" means the written instrument pursuant to which each separate Trust is created.

1.19 Trustee

"Trustee" means one or more banks, trust companies or insurance companies designated by the Company to hold the Trust fund and to pay benefits and expenses as authorized by the Committee in accordance with the terms and provisions of the Trust Agreement.

1.20 Headings; Gender and Number

The headings contained in the Plan are for reference purposes only and shall not affect in any way the meaning or interpretation of the Plan. Except when otherwise indicated by the context, the masculine gender shall also include the feminine gender, and the definition of any term herein in the singular shall also include the plural.

ARTICLE II ELIGIBILITY AND PARTICIPATION

2.01 Eligibility and Participation

The Committee shall from time to time in its sole discretion select those employees of the Company who are eligible to participate in the Plan from among a select group of key employees.

2.02 Election

Employees who have been selected by the Committee to participate in the Plan shall complete the election procedure specified by the Committee. The election procedure may include form(s) for the employee to (a) designate a beneficiary (pursuant to Article V), (b) elect or acknowledge Deferred Amounts by entering into an Election Agreement with the Company (pursuant to Section 3.01), (c) select a payment option for the eventual distribution of his Account (pursuant to Article V), and (d) provide such other information as the Committee may reasonably require.

2.03 Failure of Eligibility

The Committee shall have the authority to determine that a Participant is no longer eligible to participate in the Plan. No Company Match or Stock Bonus Award shall be made, no Deferred Amounts withheld from a Participant's Compensation, and no dividend amounts credited to a Participant's Account after he ceases to be eligible to participate in the Plan. The determination of the Committee with respect to the termination of participation in the Plan shall be final and binding on all parties affected thereby. Except as provided in Section

5.01, any benefits vested hereunder, at the time the Participant becomes ineligible to continue participation, shall be distributable in accordance with the provisions of the Plan.

ARTICLE III
CONTRIBUTION DEFERRALS

3.01 Participant Deferrals

- (a) General. A Participant may elect to defer a portion of his Compensation and/or acknowledge the deferral of income from the grant of a Stock Bonus Award by filing the appropriate Election Agreement with the Committee's designee. Deferred Amounts related to the one-time 1999 discretionary award, and to such other remuneration as may be designated from time to time, shall be deducted through payroll withholding from the Participant's cash Compensation payable by the Company, and shall be credited to the Participant's Account on or about the date the amounts are deducted. Deferred Amounts from the deferral of income from the exercise of non-qualified stock option grants, from the grant of a Stock Bonus Award or from any Other Approved Plan shall be credited to the Participant's Account on or about the date of the stock option exercise, the grant date of the Stock Bonus Award or the date the income would have been otherwise paid or distributed from such Other Approved Plan, respectively.
- (b) Initial Enrollment. When an employee first is selected to participate in the Plan, pursuant to Section 2.01, the Committee's designee shall provide him with an election form, which, when properly completed and timely returned to the Committee's designee shall constitute an Election Agreement. To be effective, the Election Agreement must be completed and returned to the Committee's designee by the deadline established by the Committee. The employee may elect to defer
 - (i) up to 100 percent of the one-time 1999 discretionary award, and
 - (ii) such percentage up to 100 percent of income from stock options exercised in the Plan Year indicated or from any Other Approved Plan, divisible into such increments as may be designated by the Committee; however, 100 percent of income from the grant of any Stock Bonus Award shall be deferred. The Election Agreement shall be effective immediately upon receipt by the Committee's designee; however,
 - (i) Election Agreements related to the deferral of income from stock option exercises must be completed and returned not less than six months in advance of the Participant's intended exercise date on which income is to be deferred, and
 - (ii) Election Agreements related to the deferral of income from any Other Approved Plan must be completed and returned pursuant to the provisions of such Other

Approved Plan. Each Election Agreement shall be irrevocable for the deferral of the one-time 1999 discretionary award, or the deferral of income (i) from stock options exercised in the Plan Year indicated, (ii) from the grant of any Stock Bonus Award, or (iii) from any Other Approved Plan.

- (c) Continuing Election. A Participant shall enter into a separate Election Agreement for (i) the deferral of income from stock options exercises in the Plan Year indicated, (ii) the deferral of income from the grant of any Stock Bonus Award (iii) the deferral of income from any Other Approved Plan, or (iv) any other deferral opportunity offered by the Committee. To be effective, the Election Agreement must be completed and returned to the Committee's designee by the deadline established by the Committee; however, (i) Election Agreements related to the deferral of income from stock option exercises must be completed and returned not less than six months in advance of the Participant's intended exercise date on which income is to be deferred, and (ii) Election Agreements related to the deferral of income from any Other Approved Plan must be completed and returned pursuant to the provisions of such Other Approved Plan. Each Election Agreement shall be irrevocable.
- (d) Participant Becomes Ineligible. A Participant's Election Agreement(s) shall be canceled immediately if and when the Participant becomes ineligible to participate in the Plan.

3.02 Company Match

The Company shall credit to a Participant's Account matching contributions equal to the Participant's Deferred Amount related to the 1999 one-time discretionary award. The Committee may from time to time in its sole discretion designate such other forms of remuneration that are available for deferral into the Plan, as well as such other matching contributions as the Committee deems appropriate. The Company Match shall be invested as specified in Article IV.

ARTICLE IV INVESTMENT OF DEFERRALS AND ACCOUNTING; VOTING

4.01 Investments

- (a) All amounts credited to a Participant's Account shall be invested in Stock Units, with the number of Stock Units determined using the Fair Market Value of the Stock for the date on which the amount is credited to the Participant's Account. Amounts equal to any cash dividends declared on the Stock shall be credited to the Participant's Account as of the payment

date for such dividend in proportion to the number of Stock Units in the Participant's Account as of the record date for such dividend. Such dividend amounts shall be invested in Stock Units, with the number of Stock Units determined using the Fair Market Value of the Stock on the dividend payment date, and such Stock Units shall vest pursuant to Section 5.01.

- (b) Nothing contained in this Section shall be construed to give any Participant any power or control to make investment decisions or otherwise influence in any manner the investment and reinvestment of assets contained within any investment alternative, such control being at all times retained in the full discretion of the Committee. Nothing contained in this Section shall be construed to require the Company or the Committee to fund any Participant's Account.

4.02 Voting

Participants shall have no right to vote any Stock Units prior to the date on which such Stock Units are subject to distribution and shares of Stock are issued therefor.

ARTICLE V DISTRIBUTIONS

5.01 Vesting

- (a) The portion of a Participant's Account attributable to Deferred Amounts from the one-time 1999 discretionary award and/or related to the deferral of income from stock option exercises shall be fully vested; however, the portion of a Participant's Account (i) attributable to Deferred Amounts related to the grant of any Stock Bonus Award or to such other remuneration as may be designated from time to time and/or (ii) related to the deferral of income from any Other Approved Plan, shall vest on such terms as may be determined by the Committee.
- (b) A Participant shall vest in the portion of his Account that is attributable to the Company Match for the 1999 one-time discretionary award as follows: 50 percent on the date six months following the date of deferral and the remaining 50 percent on the date twelve months following the date of deferral.
- (c) If a Participant retires or becomes disabled (as defined by the Company's Long Term Disability Plan) while still employed by the Company, no vesting occurs subsequent to the date of retirement or disability and all

unvested portions of the Participant's Account shall be forfeited immediately.

- (d) If a Participant dies while still employed by the Company, any unvested portion of the Participant's Account shall be immediately vested.
- (e) If a Participant's employment is terminated other than for cause as defined herein, no further vesting of unvested portions of the Participant's Account shall occur and all unvested portions thereof shall be forfeited immediately.
- (f) If the employment of the Participant is terminated for cause as determined by the Company, the Participant's entire Account balance (including any Deferred Amounts) shall be forfeited immediately. As used in this subsection, "cause" shall mean a gross violation, as determined by the Company, of the Company's established policies and procedures. The effect of this subsection shall be limited to determining the consequences of a termination and nothing in this subsection shall restrict or otherwise interfere with Company's discretion with respect to termination of any employee.
- (g) Stock Units attributable to dividend amounts credited to a Participant's Account pursuant to Section 4.01 shall vest as the corresponding Stock Units vest. As used in this subsection, "corresponding Stock Units" shall mean those Stock Units on which the dividend amounts are calculated.

5.02 Distribution During Employment

- (a) While a Participant is employed by the Company, the only available distribution is a distribution pursuant to the terms of the applicable Election Agreement beginning five years after the date of deferral pursuant to the Election Agreement(s) on file for the Participant. Any distribution shall be paid in whole shares of Stock, delivered in the number of installments designated by the Participant in the applicable Election Agreement and, coincident with delivery of the last such installment, any fractional shares shall be paid in cash.
- (b) If a Participant has elected to take his distribution in installments, the first installment shall be delivered within 90 days after the corresponding date five years after the date of deferral, and each subsequent installment shall be delivered not later than March 31st of the following calendar year.
- (c) If a Participant remains employed by the Company, a Participant may elect to further defer for an additional five years his distribution by

executing a new Election Agreement at least six months prior to the first installment due pursuant to the Participant's previous election.

5.03 Distributions After Employment

Distributions after the Participant's death are discussed in Section 5.04. All other distributions after employment shall be made as set forth below:

- (a) **Timing.** The Participant's vested Account shall be distributed after the Participant terminates employment with the Company and the distribution shall be made pursuant to the Participant's Election Agreement(s). If a Participant has elected to take his distribution in installments, the first installment shall be delivered within 90 days after the Participant's termination date and each subsequent installment shall be delivered not later than March 31st of the following calendar year.
- (b) **Form of Distribution.** The Participant's entire vested Account shall be paid in whole shares of Stock, delivered in the number of installments designated pursuant to the Election Agreement(s) executed by the Participant and, coincident with delivery of the last such installment, any fractional shares shall be paid in cash.
- (c) **Minimum Distribution.** If, as of the Participant's termination date, the value of his entire vested Account is \$50,000 or less, the Participant's vested Account balance shall be distributed in one lump sum and such distribution shall be made within 90 days of the Participant's termination date.
- (d) **Reemployment.** If a Participant is reemployed by the Company before his entire vested Account balance is paid, installments from the Plan shall be suspended. Installments will resume after the Participant again terminates employment. The number of remaining installments shall be the number of annual installments originally designated pursuant to the Election Agreement(s) executed by the Participant, less the number of installments received before the Participant was re-employed. If the Participant dies before receiving all installments, Section 5.04 shall apply.

5.04 Distributions After Participant's Death

- (a) Each Participant shall designate one or more persons, trusts or other entities as his beneficiary (the "Beneficiary") to receive any amounts distributable hereunder at the time of the Participant's death. In the absence of an effective Beneficiary designation as to part or all of a Participant's interest in the Plan, such amount shall be distributed to the

Participant's surviving spouse, if any, otherwise to the personal representative of the Participant's estate.

- (b) A Beneficiary designation may be changed by the Participant at any time and without the consent of any previously designated Beneficiary. However, if the Participant is married, his spouse shall be his Beneficiary unless such spouse has consented to the designation of a different Beneficiary. To be effective, the spouse's consent must be in writing, witnessed by a notary public, and filed with the Committee's designee. If a Participant has designated his spouse as a Beneficiary or as a contingent Beneficiary, and the Participant and that spouse subsequently divorce, then such Beneficiary designation shall be void and of no effect with respect to such spouse on and after the day such divorce is final.
- (c) When a Participant dies, his remaining vested Account balance shall be distributed to his Beneficiary in one lump sum as soon as administratively possible after his death, regardless of the payment schedule the Participant elected, and regardless of whether installment payments had begun. Such distribution shall be paid in whole shares of Stock, with any fractional shares paid in cash.

5.05 Withholding

At the time of distribution, the Plan shall withhold from such distribution any taxes or other amounts that are required to be withheld pursuant to any applicable law or such greater amount as requested by the Participant. The Committee may direct the Company to withhold additional amounts from any payment to repay the Participant's debt or obligation to the Company or at the request of the Participant.

ARTICLE VI ADMINISTRATION

6.01 Committee to Administer and Interpret Plan

The Plan shall be administered by the Committee. The Committee shall have all discretion and powers necessary for administering the Plan, including, but not by way of limitation, full discretion and power to interpret the Plan, to determine the eligibility, status and rights of all persons under the Plan and, in general, to decide any dispute. The Committee shall direct the Company, the Trustee, or both, as the case may be, concerning distributions in accordance with the provisions of the Plan. The Committee's designee shall maintain all Plan records except records of any Trust.

6.02 Organization of Committee

The Committee shall adopt such rules as it deems desirable for the conduct of its affairs and for the administration of the Plan. The Committee may appoint a designee and/or agent (who need not be a member of the Committee or an employee of the Company) to assist the Committee in administration of the Plan and to whom it may delegate such powers as the Committee deems appropriate, except that the Committee shall determine any dispute. The Committee may make its determinations with or without meetings. The Committee may authorize one or more of its members, designees or agents to sign instructions, notices and determinations on its behalf. The action of a majority of the Committee's members shall constitute the action of the Committee.

6.03 Agent for Process

Apache's Vice President and General Counsel and Apache's Corporate Secretary shall each be an agent of the Plan for service of all process.

6.04 Determination of Committee Final

The decisions made by the Committee shall be final and conclusive on all persons.

ARTICLE VII TRUST

7.01 Trust Agreement

The Company may, but shall not be required to, adopt a separate Trust Agreement for the holding and administration of the funds contributed to Accounts under the Plan. The Trustee shall maintain and allocate assets to a separate account for each Participant under the Plan. The assets of any such Trust shall remain subject to the claims of the Company's general creditors in the event of the Company's insolvency.

7.02 Expenses of Trust

The parties expect that any Trust created pursuant to Section 7.01 will be treated as a "grantor" trust for federal and state income tax purposes and that, as a consequence, such Trust will not be subject to income tax with respect to its income. However, if the Trust should be taxable, the Trustee shall pay all such taxes out of the Trust. All expenses of administering any such Trust shall be a charge against and shall be paid from the assets of such Trust.

ARTICLE VIII
AMENDMENT AND TERMINATION

8.01 Amendment

- (a) The Plan may be amended at any time and from time to time, retroactively or otherwise; however, no amendment shall reduce any vested benefit that has accrued on the effective date of such amendment. Each Plan amendment shall be in writing and shall be approved by the Committee and/or Apache's Board of Directors. An officer of Apache to whom the Committee and/or Apache's Board of Directors has delegated the authority to execute Plan amendments shall execute each such amendment or the Plan document restated to include all such Plan amendment(s).
- (b) The Committee shall have the authority to adopt such modifications, procedures and subplans as may be necessary or desirable to comply with the provisions of the laws (including, but not limited to, tax laws and regulations) of countries other than the United States in which the Company may operate, so as to assure the viability of the benefits of the Plan to Participants employed in such countries.

8.02 Successors and Assigns; Termination of Plan

The Plan is binding upon Apache and its successors and assigns. The Plan shall continue in effect from year to year unless and until terminated by Apache's Board of Directors. Any such termination shall operate only prospectively and shall not reduce any vested benefit that has accrued on the effective date of such termination.

ARTICLE IX
STOCK SUBJECT TO THE PLAN

9.01 Number of Shares

Subject to Section 4.01 and Annex A, and to adjustment pursuant to Section 9.03 hereof, five hundred thousand (500,000) shares of Stock are authorized for issuance under the Plan in accordance with the provisions of the Plan and subject to such restrictions or other provisions as the Committee may from time to time deem necessary. This authorization may be increased from time to time by approval of the Board and the stockholders of Apache if, in the opinion of counsel for the Company, such stockholder approval is required. Shares of Stock distributed under the terms of the Plan and shares of Stock equal to the number of Stock Units credited to Participants' Accounts maintained under the

Plan shall be applied to reduce the maximum number of shares of Stock remaining available for use under the Plan; however, shares of Stock represented by any Stock Units related to the deferral of income (i) from the exercise of stock options and/or (ii) from any Other Approved Plan shall retain their authorization under the applicable stock option plan or under such Other Approved Plan, and shall not be applied to reduce the number of shares of Stock remaining available for use under the Plan. Apache, at all times during the existence of the Plan and while any Stock Units are credited to Participants' Accounts maintained under the Plan, shall retain as Stock in Apache's treasury at least the number of shares from time to time required under the provisions of the Plan, or otherwise assure itself of its ability to perform its obligations hereunder.

9.02 Other Shares of Stock

The shares of Stock represented by any Stock Units that are forfeited, and any shares of Stock that for any other reason are not issued to a Participant or are forfeited, shall automatically become available for use under the Plan.

9.03 Adjustments for Stock Split, Stock Dividend, Etc.

If Apache shall at any time increase or decrease the number of its outstanding shares of Stock or change in any way the rights and privileges of such shares by means of the payment of a Stock dividend or any other distribution upon such shares payable in Stock, or through a Stock split, subdivision, consolidation, combination, reclassification or recapitalization involving the Stock, then in relation to the Stock that is affected by one or more of the above events, the numbers, rights and privileges of the following shall be increased, decreased or changed in like manner as if they had been issued and outstanding, fully paid and nonassessable at the time of such occurrence: (i) the shares of Stock remaining available for use under the Plan; and (ii) the shares of Stock then represented by Stock Units credited to Participants' Accounts maintained under the Plan.

9.04 Dividend Payable in Stock of Another Corporation, Etc.

If Apache shall at any time pay or make any dividend or other distribution upon the Stock payable in securities or other property (except cash or Stock), a proportionate part of such securities or other property shall be set aside for Stock Units credited to Participants' Accounts maintained under the Plan and delivered to any Participant upon distribution pursuant to the terms of the Plan. Prior to the time that any such securities or other property are delivered to a Participant in accordance with the foregoing, Apache shall be the owner of such securities

or other property and shall have the right to vote the securities, receive any dividends payable on such securities, and in all other respects shall be treated as the owner. If securities or other property which have been set aside by Apache in accordance with this Section are not delivered to a Participant because all or part of his Stock Units are forfeited pursuant to the terms of the Plan, then the applicable portion of such securities or other property shall remain the property of Apache and shall be dealt with by Apache as it shall determine in its sole discretion.

9.05 Other Changes in Stock

In the event there shall be any change, other than as specified in Sections 9.03 and 9.04 hereof, in the number or kind of outstanding shares of Stock or of any stock or other securities into which the Stock shall be changed or for which it shall have been exchanged, and if the Committee shall in its discretion determine that such change equitably requires an adjustment in the number or kind of shares (i) remaining available for use under the Plan and/or (ii) represented by Stock Units credited to Participants' Accounts maintained under the Plan, then such adjustments shall be made by the Committee and shall be effective for all purposes of the Plan.

9.06 Rights to Subscribe

If Apache shall at any time grant to the holders of its Stock rights to subscribe pro rata for additional shares thereof or for any other securities of Apache or of any other corporation, there shall be reserved with respect to the Stock Units credited to Participants' Accounts maintained under the Plan the Stock or other securities which the Participant would have been entitled to subscribe for if immediately prior to such grant the shares of Stock represented by such Stock Units had been issued and outstanding. If, at the time of distribution under the terms of the Plan, the Participant subscribes for the additional shares or other securities, the price that is payable by the Participant for such additional shares or other securities shall be withheld from such distribution pursuant to Section 5.05 hereof.

9.07 Change of Control

- (a) In the event of the occurrence of a change of control of Apache, as defined below, all unvested Stock Units credited to Participants' Accounts shall become automatically vested, without further action by the Committee or the Board, so that such unvested Stock Units become fully vested and payable as of the date of such change of control.

- (b) For purposes of this Plan, a "change of control" shall mean any of the events specified in Apache's Income Continuance Plan or any successor plan which constitute a change of control within the meaning of such plan.

9.08 General Adjustment Rules

No adjustment or substitution provided for in this Article IX shall require Apache to sell or otherwise issue a fractional share of Stock. All benefits payable under the Plan shall be distributed in whole shares of Stock, with any fractional shares paid in cash.

9.09 Determination by the Committee, Etc.

Adjustments under this Article IX shall be made by the Committee, whose determinations with regard thereto shall be final and binding upon all parties thereto.

ARTICLE X
REORGANIZATION OR LIQUIDATION

In the event that Apache is merged or consolidated with another corporation and Apache is not the surviving corporation, or if all or substantially all of the assets or more than 20 percent of the outstanding voting stock of Apache is acquired by any other corporation, business entity or person, or in case of a reorganization (other than a reorganization under the United States Bankruptcy Code) or liquidation of the Company, and if the provisions of Section 9.07 hereof do not apply, the Committee, or the board of directors of any corporation assuming the obligations of the Company, shall, as to the Plan and any Stock Units credited to Participants' Accounts maintained under the Plan, either (i) make appropriate provision for the adoption and continuation of the Plan by the acquiring or successor corporation and for the protection of any Stock Units credited to Participants' Accounts maintained under the Plan by the substitution on a equitable basis of appropriate stock of Apache or of the merged, consolidated or otherwise reorganized corporation which will be issuable with respect to the Stock, provided that no additional benefits shall be conferred upon the Participants with respect to such Stock Units as a result of such substitution or (ii) upon written notice to the Participants, provide that all distributions from the Plan shall be made within a specified number of days of the date of such notice. In the latter event, the Committee shall accelerate the vesting of all unvested Stock Units credited to Participants' Accounts so that all such Stock Units become fully vested and payable prior to any such event.

ARTICLE XI
MISCELLANEOUS

11.01 Funding of Benefits -- No Fiduciary Relationship

Benefits shall be paid either out of the Trust or, if no Trust is in existence or if the assets in the Trust are insufficient to provide fully for such benefits, then such benefits shall be distributed by the Company out of its general assets. Nothing contained in the Plan shall be deemed to create any fiduciary relationship between the Company and the Participants. Notwithstanding anything herein to the contrary, to the extent that any person acquires a right to receive benefits under the Plan, such right shall be no greater than the right of any unsecured general creditor of the Company, except to the extent provided in the Trust Agreement, if any.

11.02 Right to Terminate Employment

The Company may terminate the employment of any Participant as freely and with the same effect as if the Plan were not in existence.

11.03 Inalienability of Benefits

No Participant shall have the right to assign, transfer, hypothecate, encumber or anticipate his interest in any benefits under the Plan, nor shall the benefits under the Plan be subject to any legal process to levy upon or attach the benefits for payment for any claim against the Participant or his spouse. If, notwithstanding the foregoing provision, any Participant's benefits are garnished or attached by the order of any court, the Company may bring an action for declaratory judgment in a court of competent jurisdiction to determine the proper recipient of the benefits to be distributed pursuant to the Plan. During the pendency of the action, any benefits that become distributable shall be paid into the court, as they become distributable, to be distributed by the court to the recipient it deems proper at the conclusion of the action.

11.04 Claims Procedure

- (a) The Participant, his spouse or the authorized representative of the claimant shall file all claims in writing, by completing such procedures as the Committee shall require. Such procedures shall be reasonable and may include the completion of forms and the submission of documents and additional information.
- (b) If a claim is denied, notice of denial shall be furnished by the Committee to the claimant within 90 days after the receipt of the claim by the Committee, unless special circumstances require an extension of time for

processing the claim, in which event notification of the extension shall be provided to the Participant or beneficiary and the extension shall not exceed 90 days.

- (c) The Committee shall provide adequate notice, in writing, to any claimant whose claim has been denied, setting forth the specific reasons for such denial, specific reference to pertinent Plan provisions, a description of any additional material or information necessary for the claimant to perfect his claims and an explanation of why such material or information is necessary, all written in a manner calculated to be understood by the claimant. Such notice shall include appropriate information as to the steps to be taken if the claimant wishes to submit his claim for review. The claimant or the claimant's authorized representative may request such review within the reasonable period of time prescribed by the Committee. In no event shall such a period of time be less than 60 days. A decision on review shall be made not later than 60 days after the Committee's receipt of the request for review. If special circumstances require a further extension of time for processing, a decision shall be rendered not later than 120 days following the Committee's receipt of the request for review. If such an extension of time for review is required, written notice of the extension shall be furnished to the claimant prior to the commencement of the extension. The decision on review shall be furnished to the claimant. Such decision shall be in writing and shall include specific reasons for the decision, written in a manner calculated to be understood by the claimant, as well as specific references to the pertinent Plan provisions on which the decision is based.

11.05 Disposition of Unclaimed Distributions

Each Participant must file with the Company from time to time in writing his post office address and each change of post office address. Any communication, statement or notice addressed to a Participant at his last post office address on file with the Company, or if no address is filed with the Company, then at his last post office address as shown on the Company's records, will be binding on the Participant and his spouse for all purposes of the Plan. The Company shall not be required to search for or locate a Participant or his spouse.

11.06 Distributions Due Infants or Incompetents

If any person entitled to a distribution under the Plan is an infant, or if the Committee determines that any such person is incompetent by reason of physical or mental disability, whether or not legally adjudicated an incompetent, the Committee shall have the power to cause the distributions becoming due to such person to be made to another for his benefit, without responsibility of the Committee to see to the application of such distributions. Distributions made

pursuant to such power shall operate as a complete discharge of the Company, the Trustee, if any, and the Committee.

11.07 Governing Law

The Plan and all Election Agreements shall be construed in accordance with the Code and, to the extent applicable, the laws of the State of Texas excluding any conflicts-of-law provisions.

May 3, 2001

ATTEST:

APACHE CORPORATION

/s/ Cheri L. Peper

/s/ Jeffrey M. Bender

Cheri L. Peper
Corporate Secretary

Jeffrey M. Bender
Vice President, Human Resources

ANNEX A
APACHE CORPORATION DEFERRED DELIVERY PLAN
STOCK BONUS AWARD PROVISIONS

From time to time, grants of stock bonus awards for specified numbers of Stock Units (each a "Stock Bonus Award") may be made to Participants under the terms of the Plan. Capitalized terms used in this Annex A shall have the meaning set forth in the Plan or herein, as the case may be.

Grants of Stock Bonus Awards shall be made by the Committee. The Stock Units covered by each Stock Bonus Award shall be credited to the Participant's Account maintained under the Plan.

In accordance with the provisions of the Plan, the Committee shall, in its sole discretion, select the Participants to receive Stock Bonus Awards. For each stock Bonus Award, the Committee shall:

- specify the date of grant and number of Stock Units granted;
- designate the vesting provisions; and
- establish such other terms and requirements as deemed necessary or desirable and consistent with the Plan.

Each Stock Bonus Award shall be evidenced by a written agreement containing the particular provisions of such award and in such form as the Committee shall determine.

Upon the grant and/or vesting of each Stock Bonus Award, the Participant shall make appropriate arrangements with the Company to provide for the amount of all applicable federal, state and local income and other tax withholding requirements. As used in the Plan, the phrase "income from the grant of a Stock Bonus Award" shall mean the amount calculated by multiplying (a) the number of Stock Units covered by the Stock Bonus Award, times (b) the Fair Market Value of the Stock for the date of grant.

Except as set forth in this Annex A and/or in the applicable written agreement, each Stock Bonus Award and the Stock Units related thereto shall be subject to all other terms and conditions set forth in the Plan.

APACHE CORPORATION
OUTSIDE DIRECTORS' RETIREMENT PLAN
(As Amended and Restated May 3, 2001)

APACHE CORPORATION (the "Company") established the Apache Corporation Outside Directors' Retirement Plan (the "Plan"), effective as of December 15, 1992 (the "Effective Date"), to provide eligible non-employee Directors of the Company ("Outside Directors") with certain retirement and death payments. The purpose of the Plan is to advance the interests of the Company, its subsidiaries, and its stockholders by continuing to attract and retain outstanding individuals as Outside Directors and to stimulate the efforts of such individuals by giving suitable recognition to services which will contribute materially to the success of the Company.

ARTICLE I
ELIGIBILITY, PARTICIPATION AND CONTRIBUTIONS

1.1 Eligibility and Participation.

(a) Each Outside Director on the Effective Date shall be eligible to participate in the Plan on that date. Subsequently elected Outside Directors shall be eligible to participate in the Plan as of the date their Service begins. An eligible Outside Director shall become a participant ("Participant") upon receipt by the Company of a completed Participation Agreement, the form of which is attached hereto as Annex A.

(b) At any time on or prior to the effective date of a Participant's Retirement, but not thereafter, the Participant, by completion of a new Participation Agreement, may:

- (i) change his or her Beneficiary Designation, with such change becoming effective upon delivery to the Company of such new Participation Agreement.
- (ii) change his or her Benefit Election, with such change becoming effective on the date six months following delivery to the Company of such new Participation Agreement, provided that such change shall not become effective if the Participant is not holding office as an Outside Director on such effective date.

1.2 Contributions.

All amounts payable under the Plan shall be paid from the general assets of the Company. Nothing contained in the Plan shall be deemed to create any fiduciary relationship between the Company and the Participant. Any rights of the Participant under the Plan shall be no greater than the right of any unsecured general creditor of the Company.

ARTICLE II
RETIREMENT PAYMENTS

2.1 Retirement Payments.

(a) A Participant who Retires with four or more Quarters of Service shall be entitled to receive payments under the Plan for a term of years equal to the number of Quarters of Service credited to the Participant at Retirement divided by 4, with any fraction (a "Service Fraction") rounded up to the next whole number. The annual amount of such payments shall equal 66-2/3 percent of the Participant's Annual Director's Retainer, except that the amount payable in the final year of the term shall be determined by multiplying the Service Fraction, if any, times 66-2/3 percent of the Participant's Annual Director's Retainer.

(b) "Annual Directors' Retainer" shall mean the aggregate annual amount of an Outside Director's board retainer fee payable pursuant to Section 1 of the Company's Non-Employee Directors' Compensation Plan (or comparable section of any successor plan), whether or not all or a portion of such amount is deferred or delayed. Such amount shall be determined as of the date a Participant Retires or, in the case of payments pursuant to the provisions of Article III, as of the date of the Participant's death.

(c) "Quarter of Service" shall mean the aggregate total full months of Service as an Outside Director divided by 3 and rounded up to the next whole number but in no event shall any Participant's Quarters of Service exceed 40.

(d) "Retirement, Retired or Retires" shall mean a Participant's ceasing to hold office as an Outside Director, for any reason other than death, on or after the attainment of age 60.

(e) "Service" shall mean: the aggregate total, not to exceed 120, of (i) the number of full months beginning on or after July 1, 1992 (whether or not consecutive) that a Participant held office as an Outside Director, whether or not a Participant at the time, and (ii) 1/2 the number of full months prior to July 1, 1992 (whether or not consecutive) that a Participant held office as an Outside Director; provided, however, that a Participant who, as of the Effective Date, has held office as an Outside Director for an aggregate total of 15 years shall automatically be credited with 120 full months of Service.

2.2 Retirement Payments Following Change of Control.

In the event of the occurrence of a "change of control" of the Company, as defined in the Company's Income Continuance Plan (as amended or any successor plan which constitutes a change of control within such plan), any Participant whose Service as an Outside Director terminates on or after the date of such change of control

shall be deemed as of such date of termination, or if later, upon attainment of age 60, to have Retired and shall be entitled to the payments provided hereunder.

2.3 Method and Time of Payment.

Unless a Participant elects the optional form of payment pursuant to Section 2.4, payments hereunder shall be paid quarterly as of the last day of March, June, September and December for the period determined in accordance with Section 2.1(a). Quarterly payments to a Participant shall be paid in cash and shall begin as of the payment date next following the date the Participant Retires. If a Participant dies before completion of the payments for the period determined in accordance with Section 2.1(a), death payments shall be made to the Participant's Spouse or Beneficiary to the extent provided in Article III.

2.4 Optional Form of Payment.

In lieu of the quarterly payments to which a Participant would otherwise be entitled hereunder, a Participant may elect, at the time of signing a Participation Agreement for the Plan, to receive a cash lump sum payment in an amount which the Committee calculates as the net present value of the payments to which the Participant would otherwise be entitled under the provisions of the Plan determined using a series of annual payments and an annual interest rate equal to the rate on ten-year treasury bonds/notes as reported in The Wall Street Journal published on or most recently prior to the effective date of the Participant's Retirement. Any such lump sum payment shall be made within 90 days following the Participant's Retirement.

ARTICLE III. DEATH PAYMENTS

3.1 Death Payments for Participants.

(a) If a Participant, who has not elected a lump sum payment under Section 2.4, dies after Retirement but prior to receiving all of the annual payments to which the Participant would otherwise be entitled hereunder, and is survived by a Spouse or Beneficiary, the Spouse or Beneficiary shall be entitled to receive the remaining payments which would otherwise have been payable to the Participant until the earlier of (i) the death of the Spouse or Beneficiary, or (ii) the completion of such payments in accordance with the provisions of Article II.

(b) If a Participant dies while holding office as an Outside Director and after attaining age 60 and after being credited with 40 Quarters of Service pursuant to Article II, and is survived by a Spouse or Beneficiary, the Spouse or Beneficiary shall be entitled to receive the payments which would otherwise have been made to the Participant until the earlier of (i) the death of the Spouse or Beneficiary, or (ii) the completion of such payments in accordance with the provisions of Article II.

(c) Payments to a Spouse or Beneficiary hereunder shall be made at the same time as payments would have been made to the Participant.

(d) "Spouse" shall mean the lawfully married spouse of a Participant at the time of the Participant's death.

(e) "Beneficiary" shall mean the individual designated by the Participant in his or her Participation Agreement in effect at the time of the Participant's death.

3.2 Lump Sum Death Payments.

(a) If a Participant who has elected a lump sum payment dies after the Participant's Retirement but before the receipt of such payment, the lump sum shall be paid to the surviving Spouse or Beneficiary, or if none, to the estate or the personal representative of the Participant.

(b) If an Outside Director, who has not completed a Participation Agreement, dies while holding office as an Outside Director and after attaining age 60 and after being credited with 40 Quarters of Service pursuant to Article II, and is not survived by a Spouse, the payments which would otherwise have been made to the Outside Director if he or she had been a Participant shall be paid to the estate or the personal representative of the Outside Director in a lump sum calculated pursuant to Section 2.4 hereof.

ARTICLE IV ADMINISTRATION, AMENDMENT AND TERMINATION

4.1 The Management Development and Compensation Committee.

The Plan shall be administered by the Management Development and Compensation Committee (the "Committee") of the Company's Board of Directors. All administrative duties, including but not limited to the power to interpret the Plan and to decide any dispute, shall be carried out by the Committee, which shall have full discretion and authority hereunder. All claims under the Plan shall be filed with the Committee, and the decisions made by the Committee shall be final and binding on all persons having or claiming to have rights under the Plan.

4.2 Termination or Amendment of Plan.

The Plan may be terminated or amended at any time through action of the Company's Board of Directors. No termination or amendment, however, shall reduce the payments (a) to a Participant or a Participant's Spouse or Beneficiary where a Participant has already reached Retirement, (b) to which a Participant is or may become entitled, based on such Participant's Service and Annual Director's Retainer as determined on the effective date of such termination or amendment, or (c) to which a Participant is or may become entitled pursuant to Section 2.2 hereof as a result of a change of control.

ARTICLE V.
MISCELLANEOUS

5.1 Inalienability of Payments.

No Participant shall have the right to assign, transfer, hypothecate, encumber or anticipate his or her interest in any payments under the Plan, nor shall the payments under the Plan be subject to any legal process to levy upon or attach such payments for any claim against the Participant or the Participant's Spouse or Beneficiary.

5.2 Notices.

Any notice required or permitted to be given under the Plan shall be in writing and shall be given by first class registered or certified mail, postage prepaid, or by personal delivery to the appropriate party, addressed:

(a) If to the Company, to Apache Corporation at its principal place of business at 2000 Post Oak Boulevard, Suite 100, Houston, Texas 77056-4400 (Attention: Office of the Secretary) or at such other address as may have been furnished in writing by Apache to a Participant; or

(b) If to a Participant, at the address indicated below the Participant's signature on his or her Participation Agreement, or at such other address as may have been furnished in writing by a Participant to Apache.

Any such notice shall be deemed to have been given as of the second day after deposit in the United States Postal Service, postage prepaid, properly addressed as set forth above, in the case of mailed notice, or as of the date delivered in the case of personal delivery.

5.3 Disposition of Unclaimed Payments.

Any communication, statement or notice addressed to a Participant at his or her last post office address, as provided to the Company under Section 5.2 hereof, will be binding on the Participant and the Participant's Spouse or Beneficiary for all purposes of the Plan. If the Company cannot ascertain the whereabouts of any person to whom a payment is due under the Plan within three years from the date such payment is due, such payment shall be cancelled on the records of the Plan and the amount thereof forfeited to the Company.

5.4 Governing Law.

The Plan shall be governed by the laws of the State of Texas.

Dated: May 3, 2001

ATTEST: APACHE CORPORATION

By: /s/ Cheri L. Peper

Cheri L. Peper
Corporate Secretary

By: /s/ Jeffrey M. Bender

Jeffrey M. Bender
Vice President, Human Resources

APACHE CORPORATION
EQUITY COMPENSATION PLAN FOR NON-EMPLOYEE DIRECTORS
AS AMENDED AND RESTATED MAY 3, 2001

Apache Corporation, a Delaware corporation (the "Company"), established the Apache Corporation Equity Compensation Plan for Non-Employee Directors (the "Plan"), effective as of February 9, 1994, for those directors of the Company who are neither officers nor employees of the Company (the "Directors") and authorized a maximum of 50,000 shares of the Company's common stock, par value \$1.25 per share (the "Common Stock") for issuance thereunder during the term of the Plan, which shares consist entirely of treasury stock.

1. Each Director shall receive automatic and non-discretionary grants of restricted stock ("Restricted Stock Awards") on the terms and conditions set forth under the Plan. Each Director receiving a Restricted Stock Award shall enter into an agreement (a "Restricted Stock Agreement") in such form as the Board of Directors of the Company (the "Board") or a duly authorized committee of the Board (the "Committee") shall determine to be consistent with the provisions of the Plan and which may contain additional terms and conditions relating to the Restricted Stock Awards. In the event of any inconsistency between the provisions of the Plan and any Restricted Stock Agreement, the provisions of the Plan shall govern.

2. The Committee shall be responsible for the administration of the Plan. However, the Committee shall have no authority, discretion or power to (i) select the Directors who will receive Restricted Stock Awards, (ii) determine the terms of the Restricted Stock Awards to be granted pursuant to the Plan, the number of shares of Common Stock to be issued thereunder or the time at which such Restricted Stock Awards are to be granted, (iii) establish the duration and nature of Restricted Stock Awards, or (iv) alter any other terms or conditions specified in the Plan, except to administer the Plan in accordance with its terms or to comport with changes in the Internal Revenue Code, the Employment Retirement Income Security Act, or the rules and regulations promulgated thereunder. Subject to the foregoing limitations, the Committee is authorized to (A) interpret the Plan, (B) prescribe, amend and rescind rules and regulations relating to the Plan, (C) provide for conditions and assurances deemed necessary or advisable to protect the interests of the Company, and (D) make all other determinations necessary or advisable for the administration of the Plan, but only to the extent not contrary to the express provisions of the Plan. The Committee's authority shall include, but not be limited to, the right to make equitable adjustments in the number or kind of shares subject to outstanding Restricted Stock Awards, or which have been reserved for issuance pursuant to the Plan but are not then subject to Restricted Stock Awards, to reflect changes in the number or kind of outstanding shares of Common Stock due to any merger, recapitalization or other extraordinary or unusual event.

3. If the Company shall at any time increase or decrease the number of its outstanding shares of Common Stock or change in any way the rights and privileges of such shares by means of the payment of a stock dividend or any other distribution upon such shares payable in Common Stock, or through a stock split, subdivision, consolidation, combination, reclassification or recapitalization involving the Common Stock, then in relation to the Common Stock that is affected by one or more of the above events, the numbers, rights and privileges of the following shall be increased, decreased or changed in like manner as if they had been issued and outstanding, fully paid and nonassessable at the time of such occurrence: (i) the shares of Common Stock which have been reserved for issuance pursuant to the Plan but are not then subject to Restricted Stock Awards, and (ii) the shares of Common Stock subject to outstanding Restricted Stock Awards granted hereunder.

4. Beginning on July 1, 1994, and on July 1 of each fifth year thereafter through and including July 1, 2000, each Director shall receive a Restricted Stock Award of 1,000 shares of Common Stock. Such Restricted Stock Awards shall vest at the rate of 20 percent per year on each of the first through the fifth anniversaries of the date of the Restricted Stock Award. No further grants will be made pursuant to this Section 4 after May 3, 2001.

5. Beginning on July 1, 2001, and on July 1 of each third year thereafter through and including July 1, 2009, each Director shall receive a Restricted Stock Award of 1,000 shares of Common Stock. Such Restricted Stock Awards shall vest at the rate of one-third (1/3) per year on each of the first through the third anniversaries of the date of the Restricted Stock Award. Any Director elected to the Board of Directors subsequent to July 1, 2001 shall receive a Restricted Stock Award of 1,000 shares of Common Stock on the next July 1 following the date of such election, regardless of whether such date would normally have been an award date, which shall vest on the same schedule and the same percentage as set forth in the first sentence hereof.

6. (a) No Restricted Stock Awards shall be granted to any Director subsequent to July 1, 2009. Restricted Stock Awards, whether vested or unvested, may not be sold, assigned, pledged, hypothecated, transferred or otherwise disposed of as long as a Director is serving as a member of the Board.

(b) All restrictions on Restricted Stock Awards shall lapse on the first business day following the date on which a Director ceases to be a member of the Board; provided, however, that the unvested portion of any Restricted Stock Award shall be automatically forfeited at such time. Notwithstanding the foregoing, effective as of May 1, 2000, the unvested portion of any Restricted Stock Award shall be automatically vested upon a Director's retirement from the Board or upon a Director's death while still serving as a member of the Board; provided, however, that the Director (i) is at least 60 years of age and has completed at least ten years of service as a Director at the time of retirement, or (ii) has completed at least ten years of service as a Director at the time of death.

7. Certificates issued pursuant to Restricted Stock Awards shall be registered in the name of the recipient Director and shall bear an appropriate restrictive legend referring to the terms, conditions and restrictions applicable to such Restricted Stock Award. Certificates issued pursuant to Restricted Stock Awards shall be held by the Corporate Secretary of the Company until the award, or portion thereof, has vested and all applicable restrictions thereon shall have lapsed. As a condition of any Restricted Stock Award, each Director shall have delivered to the Corporate Secretary of the Company a stock power, endorsed in blank, relating to the Common Stock issued pursuant to a Restricted Stock Award. A Director shall have all voting, dividend, liquidation and other rights of a stockholder of the Company with respect to the shares of Common Stock issued pursuant to any Restricted Stock Award, notwithstanding that all or a portion of such award shall be unvested, subject to the restrictions described in the preceding paragraph.

8. In the event of a "change of control" of the Company, as defined in the Company's Income Continuation Plan (without regard to whether such Income Continuation Plan remains in effect or is subsequently amended), any unvested portion of any Restricted Stock Award shall be vested automatically, without further action by the Board or the Committee, effective as of the date of such change of control.

9. The Board may at any time terminate, and from time to time may amend or modify the Plan; provided, however, that no amendment or modification may become effective without approval of such amendment or modification by the stockholders of the Company, if stockholder approval is required to enable the Plan to satisfy any applicable statutory or regulatory requirements, or if the Company, on the advice of counsel, determines that stockholder approval is otherwise necessary or desirable. The Plan is expressly intended to comport with Rule 16b-3(c)(2)(ii) (or any successor provision) as promulgated under the Securities Exchange Act of 1934, as amended, and any ambiguities in the construction of the Plan or any Restricted Stock Agreement shall be resolved so as to effectuate such intent.

Dated: May 3, 2001

APACHE CORPORATION

ATTEST:

By: /s/ Cheri L. Peper

Cheri L. Peper
Corporate Secretary

By: /s/ Jeffrey M. Bender

Jeffrey M. Bender
Vice President, Human Resources

APACHE CORPORATION

AMENDED AND RESTATED CONDITIONAL STOCK GRANT AGREEMENT

THIS AGREEMENT is made as of June 6, 2001 between APACHE CORPORATION, a Delaware corporation (the "Company"), and G. Steven Farris ("Grantee") as an amendment and restatement of the original agreement entered into by the parties on December 17, 1998

1. GRANT. Subject to the terms of this Agreement and effective as of December 17, 1998, the Company hereby granted to Grantee a conditional stock award of up to 100,000 shares (the "Award") of the Company's common stock, par value \$1.25 per share (the "Common Stock").

2. RESTRICTIONS. The Award granted hereunder is subject to the following terms, conditions, restrictions and risks of forfeiture:

(a) Shares of Common Stock to be issued pursuant to this Award may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of by Grantee until vested and paid in accordance with paragraph 2(b) and not otherwise forfeited in accordance with the terms hereof.

(b) Subject to the other provisions of this Agreement, the Award shall be payable to Grantee in periodic installments (each an "Installment"), on the fifth anniversary of each commencement date (each a "Commencement Date") as set out below for each applicable Installment (each a "Vesting Date"):

INSTALLMENT
COMMENCEMENT

DATE

VESTING

DATE -----

- -----

(in
shares of
Common
Stock)

6,667

January 1,
1999

January 1,
2004 13,333

January 1,
2000

January 1,
2005 20,000

January 1,
2001

January 1,
2006 26,667

January 1,
2002

January 1,
2007 33,333

January 1,
2003

January 1,
2008

Each Installment shall be paid to Grantee within five (5) business days of the applicable Vesting Date for such Installment as follows: 60% of the value of the Installment shall be in the form of shares of Common Stock and 40% of the value of the Installment (inclusive of withholding of any required income tax withholding) shall be in the form of cash. The value of each applicable Installment shall be the product of (i) the number of

shares for such Installment as set out in the above table, and (ii) the closing price of the shares of Common Stock on The New York Stock Exchange, Inc. Composite Transactions Reporting System ("NYSE") on the Vesting Date or, if the Vesting Date is not a day on which the NYSE is open for trading, the last business day preceding the Vesting Date when the NYSE is open for trading. Except as otherwise provided in subparagraph (d) through (e) below, Grantee shall not be entitled to any payment with respect to any Installment unless Grantee is employed by the Company on the applicable Vesting Date.

(c) If, prior to any Vesting Date, Grantee elects to discontinue his employment with the Company, or his employment with the Company is terminated for cause, as defined in that certain Employment Agreement between Grantee and the Company dated June 6, 1988, then Grantee shall forfeit all Installments of the Award for which a Vesting Date has not occurred as of the date of termination as provided above.

(d) If, prior to any Vesting Date, the Company elects to terminate Grantee's employment with the Company other than for cause as defined in subparagraph (c) above, or Grantee dies or becomes totally disabled, then Grantee (or his beneficiary, as stated below in the case of death) shall be entitled to receive payment, as provided in this subparagraph (d), for the value of all Installments for which a Commencement Date has occurred on or prior to the date of termination, death or total disability, as applicable. The payment for the value of such Installment(s) shall be made to Grantee within thirty (30) days of the date of termination, death or disability, as applicable, shall be solely in cash, with the value of such Installment(s) being the product of (i) the number of shares for such Installment or Installments as set out in the above table, and (ii) the closing price of the shares of Common Stock on the NYSE on the date of termination, death or disability, as applicable, or, if such date is not a day on which the NYSE is open for trading, the last business day preceding such date when the NYSE is open for trading. Grantee may name a beneficiary or beneficiaries to receive any payment which he would otherwise be entitled to hereunder in the event of his death while in the employ of the Company. Such designation shall be made on a form to be provided by and filed with the Corporate Secretary of the Company. If Grantee fails to designate a beneficiary or no designated beneficiary survives Grantee, such payment shall be made to the legal representative of Grantee's estate. Grantee shall not be entitled to receive payment under this subparagraph (d) for any Installment for which a Commencement Date has not occurred as of the date of termination, death or disability, as applicable.

(e) If, prior to any Vesting Date, an individual other than Grantee or the current Chief Executive Officer of the Company, becomes the Chief Executive Officer of the Company (which, for purposes of this subparagraph, shall include any entity which comes to control the Company), then Grantee, upon written request to the Company, is entitled to receive payment, as provided in this subparagraph (e), for the value of all Installments for which a Commencement Date has occurred on or prior to the date of the written request. The payment for such Installment(s) shall be made to Grantee within thirty (30) days of receipt of Grantee's notice, shall be solely in cash, with the value of such Installment(s) being the product of (i) the number of shares for such

Installment or Installments as set out in the above table, and (ii) the closing price of the shares of Common Stock on the NYSE on the date of such written request or if such date is not a day on which the NYSE is open for trading, the last business day preceding such date when the NYSE is open for trading.

(f) The shares of Common Stock issuable in accordance with this Agreement have not be registered under the Securities Act of 1933, as amended (the "Act"), and are subject to the restrictions contained in paragraph 8 of this Agreement.

3. ENFORCEMENT OF RESTRICTIONS.

(a) Each stock certificate issued in the name of Grantee pursuant to this Agreement shall bear the following restrictive legend:

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO THE RESTRICTIONS CONTAINED IN A CONDITIONAL STOCK GRANT AGREEMENT DATED AS OF DECEMBER 17, 1998, BY AND BETWEEN APACHE CORPORATION AND G. STEVEN FARRIS, A COPY OF WHICH IS ON FILE AT THE OFFICE OF THE CORPORATE SECRETARY OF THE COMPANY.

(b) Grantee shall not be entitled to delivery of the stock certificate for the share portion of any Installment of the Award until such Installment has vested in Grantee and been paid by the Company in accordance with paragraph 2(a). Prior to the Vesting Date for any Installment, all stock certificates shall be held by the Corporate Secretary and Grantee hereby agrees to execute a blank stock power with respect to the stock certificate representing the share portion of any Installment.

4. PRIVILEGES OF A STOCKHOLDER. Upon the occurrence of a Commencement Date and subject to the restrictions of paragraph 2, Grantee shall have all voting, dividend and liquidation rights of a stockholder of the Company with respect to the shares of Common Stock subject to the applicable Installment, notwithstanding that such Installment is unvested.

5. ADMINISTRATION. This Agreement shall be administered by the Board of Directors of Apache Corporation (the "Board of Directors") or any committee thereof as may be empowered by the Board of Directors. Any action taken or decision made by the Company, the Board of Directors, or its delegates arising out of or in connection with the construction, interpretation or effect of this Agreement shall lie within its sole and absolute discretion, and shall be final, conclusive and binding on Grantee and all persons claiming under or through Grantee. By accepting this Agreement, Grantee and all persons claiming under or through Grantee shall be conclusively deemed to have indicated acceptance and ratification of, and consent to, any action taken under this Agreement by the Company, the Board of Directors, or its delegates.

6. ADJUSTMENTS.

(a) If the Company shall at any time increase or decrease the number of its outstanding shares of Common Stock or change in any way the rights and privileges of such shares by means of a stock dividend or any other distribution upon such shares payable in shares of Common Stock, or through a stock split, subdivision, consolidation, combination, reclassification or recapitalization involving the outstanding shares of Common Stock (hereinafter a "capital restructuring"), then upon the occurrence of a capital restructuring, the number of shares of Common Stock of each unvested Installment shall be appropriately increased, decreased or changed in like manner as if the number of shares of Common Stock of each unvested Installment had been issued, outstanding, fully paid and non-assessable at the record date for the capital restructuring.

(b) In the event that the Company is merged or consolidated with another corporation and the Company is not the surviving corporation, or if all or substantially all of the assets or more than 50 percent of the outstanding shares of Common Stock of the Company is acquired by any other corporation, business entity or person, or in case of a reorganization (other than a reorganization under the United States Bankruptcy Code) or liquidation of the Company, and if the provisions of subparagraph (c) hereof do not apply, the Board of Directors, or the board of directors of any corporation assuming the obligations of the Company, shall either (i) make appropriate provision for the adoption and continuation of this Agreement by the acquiring or successor corporation and for the protection of Grantee by the substitution on an equitable basis of appropriate stock of the Company or of the merged, consolidated or otherwise reorganized corporation which will be issuable with respect to any outstanding Installment, provided that no additional benefits shall be conferred upon Grantee as a result of such substitution, or (ii) upon written notice to Grantee, the Board of Directors, in its sole discretion, if it so elects, may accelerate the vesting of any unvested Installment so that all unvested Installments are fully vested and payable prior to any such event.

(c) In the event of a change of control of the Company, as defined below, all unvested Installments shall automatically vest, without further action by the Board of Directors, as of the date of such change of control.

(d) For purposes of this Agreement, a "change of control" shall mean any of the events specified in the Company's Income Continuation Plan, as amended, or any successor plan which constitute a change in control within the meaning of such plan.

(e) Any adjustments under this paragraph shall be made by the Board of Directors whose determination with regard thereto shall be final and binding on all parties.

7. WITHHOLDING OF TAX. The Grantee hereby agrees that the Company is entitled to make any required income tax withholding from any payments made under paragraph 2.

8. INVESTMENT REPRESENTATION. Grantee hereby acknowledges that any shares of Common Stock issued pursuant to this Agreement are acquired for investment without a view to distribution, within the meaning of the Act, and shall not be sold, transferred, assigned, pledged or hypothecated in the absence of an effective registration statement under the Act or an applicable exemption from the registration requirements of the Act and any applicable state securities laws and the following legend shall be imprinted on any stock certificate.

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE FEDERAL SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THESE SECURITIES HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO DISTRIBUTION OR RESALE AND MAY NOT BE SOLD, TRANSFERRED, ASSIGNED, PLEDGED, OFFERED, OR OTHERWISE DISPOSED OF IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER APPLICABLE SECURITIES LAWS OR AN OPINION FROM COUNSEL ACCEPTABLE TO THE COMPANY STATING THAT SUCH REGISTRATION IS NOT REQUIRED.

9. LISTING AND REGISTRATION OF COMMON STOCK. This Agreement shall be subject to the requirement that, if at any time counsel to the Company shall determine that the listing, registration or qualification of the shares of Common Stock issued pursuant to this Agreement upon any securities exchange or under any state or federal law, or the consent or approval of any governmental or regulatory body, is necessary as a condition of, or in connection with, the issuance of the shares hereunder, this Agreement may not be accepted in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained on conditions acceptable to the Board of Directors. Nothing herein shall be deemed to require the Company to apply for or to obtain such listing, registration or qualification.

10. NO RIGHT TO CONTINUE AS DIRECTOR OR EMPLOYEE. Nothing contained in this Agreement shall interfere with or limit in any way the right of the stockholders of the Company to remove Grantee from the Board of Directors pursuant to the Bylaws or the Restated Certificate of Incorporation of the Company, nor confer upon Grantee any right to continue in the employment of the Company.

11. NOTICES. Any notice hereunder to the Company shall be addressed to: Apache Corporation, One Post Oak Central, 2000 Post Oak Boulevard, Suite 100, Houston, Texas 77056-4400, Attention: Corporate Secretary, and any notice to Grantee shall be addressed to Grantee at Grantee's last address on the records of the Company, subject to the right of either party to designate at any time hereafter in writing some other address. Any notice shall be deemed to have been duly given when delivered personally or enclosed in a properly sealed envelope, addressed as set forth above, and deposited (with first class postage prepaid) with the United States Postal Service.

12. BINDING EFFECT. This Agreement shall be binding upon and inure to the benefit of any successors to the Company and all persons lawfully claiming under or through Grantee.

13. GOVERNING LAW. The validity, construction, interpretation, administration and effect of this Agreement, shall be governed by the substantive laws, but not the choice of law rules, of the State of Texas.

IN WITNESS WHEREOF, the Company and Grantee have executed this Agreement as of the date first written above.

APACHE CORPORATION

/s/ Jeffrey M. Bender

By: Jeffrey M. Bender

Its: Vice President

GRANTEE

/s/ G. Steven Farris

G. Steven Farris

Printed Name

Amendment
To
Apache Corporation 401(k) Savings Plan

Apache Corporation ("Apache") maintains the Apache Corporation 401(k) Savings Plan (the "Plan"). Pursuant to section 10.4 of the Plan, Apache has retained the right to amend the Plan. Apache hereby exercises that right as follows.

1. Effective as of January 1, 2000, the phrase "Code sections 125, 402(e)(3), 402(h), 403(b), 408(p), or 457" in sections 1.13(a) and 1.13(b) shall be replaced by the phrase "Code sections 125, 132(f)(4), 402(e)(3), 402(h), 403(b), 408(p), or 457."
2. Effective as of September 1, 2000, section 1.13(d)(i)(E) shall be replaced in its entirety by the following.

(E) Salary reductions that are excludable from an Employee's gross income pursuant to Code section 125 or 132(f)(4), and
3. Effective as of January 1, 2001, section 1.14(b) shall be replaced in its entirety by the following.

(b) An Employee shall not be a Covered Employee unless he or she is either based in the U.S. or on the U.S. payroll.
4. Effective as of January 1, 2001, section 1.23 shall be replaced in its entirety by the following.

1.23 "Highly Compensated Employee" means, for each Plan Year, an Employee who (a) was in the "top-paid group" during the immediately preceding Plan Year and had Compensation of \$80,000 (as adjusted by the Secretary of the Treasury) or more during the immediately preceding Plan Year, or (b) is a Five-Percent Owner during the current Plan Year, or (c) was a Five-Percent Owner during the immediately preceding Plan Year. The term "top-paid group" means the top 20% of Employees when ranked on the basis of Compensation paid during the year. In determining the number of Employees in the top-paid group, the Committee may elect to exclude Employees with less than six (or some smaller number of) months of service at the end of the year, Employees who normally work less than 17 1/2 (or some fewer number of) hours per week, Employees who normally work less than six (or some fewer number of) months during any year, Employees younger than 21 (or some younger age) on the last day of the year, and Employees who are nonresident aliens who receive no earned income (within the meaning of Code section 911(d)(2)) from Apache or an Affiliated Entity that constitutes income from sources within the United States (within the meaning of Code section 861(a)(3)). Furthermore, an Employee who is a nonresident alien who receives no earned income (within the meaning of Code section 911(d)(2)) from Apache or an Affiliated Entity that constitutes income from sources within the United States (within the meaning of Code section 861(a)(3)) during the year shall not be in the top-paid group for that year.
5. Effective as of January 1, 2001, the following sentences shall be added to the end of section 1.33.

See the definition of "Employee" for a description of when a leased employee (within the meaning of Code section 414(n)) is treated as an Employee. In addition, for purposes of calculating an Employee's Period of Service once an individual has become an Employee, the individual shall be treated as an Employee for any prior period during which the individual would have been a leased employee (within the meaning of Code section 414(n)) but for the fact that his or her services were not on a substantially full-time basis or were for less than a year.
6. Effective as of July 1, 2001, section 5.1(e) shall be replaced in its entirety by the following.

(e) Change of Control. The Company Contributions Accounts of all Participants shall be fully vested as of the effective date of a "change in control." For purposes of this subsection, a "change of

control" shall mean the event occurring when a person, partnership, or corporation, together with all persons, partnerships, or corporations acting in concert with each person, partnership, or corporation, or any or all of them, acquires more than 20% of Apache's outstanding voting securities; provided that a change of control shall not occur if such persons, partnerships, or corporations acquiring more than 20% of Apache's voting securities is solicited to do so by Apache's board of directors, upon its own initiative, and such persons, partnerships, or corporations have not previously proposed to acquire more than 20% of Apache's voting securities in an unsolicited offer made either to Apache's board of directors or directly to the stockholders of Apache.

7. Effective as of November 1, 2001, Article VI shall be replaced in its entirety by the following:

ARTICLE VI
DISTRIBUTION OF BENEFITS

6.1 Beneficiaries.

(a) Designating Beneficiaries. Each Account Owner shall file with the Committee a designation of the beneficiaries and contingent beneficiaries to whom the distributable amount (determined pursuant to section 6.2) shall be paid in the event of the Account Owner's death. In the absence of an effective beneficiary designation as to any portion of the distributable amount after a Participant dies, such amount shall be paid to the Participant's surviving Spouse, or, if none, to his or her estate. In the absence of an effective beneficiary designation as to any portion of the distributable amount after any non-Participant Account Owner dies, such amount shall be paid to the Account Owner's estate. The Account Owner may change a beneficiary designation at any time and without the consent of any previously designated beneficiary.

(b) Special Rule for Married Participants. If the Account Owner is a married Participant, his or her Spouse shall be the sole beneficiary unless the Spouse has consented to the designation of a different beneficiary. To be effective, the Spouse's consent must be in writing, witnessed by a notary public, and filed with the Committee. Any spousal consent shall be effective only as to the Spouse who signed the consent.

(c) Special Rule for Divorces. If an Account Owner has designated his or her spouse as a primary or contingent beneficiary, and the Account Owner and spouse later divorce (or their marriage is annulled), then the former spouse will be treated as having pre-deceased the Account Owner for purposes of interpreting a beneficiary designation form completed prior to the divorce or annulment. This subsection 6.1(c) will apply only if the Committee is informed of the divorce or annulment before payment to the former spouse is authorized.

(d) Disclaimers. Any individual or legal entity who is a beneficiary may disclaim all or any portion of his or her interest in the Plan, provided that the disclaimer satisfies the requirements of Code section 2518(b) and applicable state law. The legal guardian of a minor or legally incompetent person may disclaim for such person. The personal representative (or the individual or legal entity acting in the capacity of the personal representative according to applicable state law) may disclaim on behalf of a beneficiary who has died. The amount disclaimed shall be distributed as if the disclaimant had predeceased the individual whose death caused the disclaimant to become a beneficiary.

6.2 Consent.

(a) General. Except for distributions identified in subsection (b), distributions may be made only after the appropriate consent has been obtained under this subsection. Distributions to a Participant or to a beneficiary (other than a beneficiary of a deceased Alternate Payee) shall be made only with the Participant's or beneficiary's consent to the time of distribution. Distributions to an Alternate Payee or his or her beneficiary shall be made as specified in the QDRO and in accordance with section 13.9. To be effective,

the consent must be filed with the Committee according to the procedures adopted by the Committee, within 90 days before the distribution is to commence. A consent once given shall be irrevocable after distribution has been processed.

(b) Exceptions to General Rule. Consent is not required for the following distributions:

(i) Corrective distributions under Article III that are returned to the Participant because the contribution is not deductible by the Company or because the contribution would exceed the limits of Code sections 401(a)(17), 415(c)(1), 402(g), 401(k)(3), 401(m)(2), 401(m)(9), or any other limitation of the Code;

(ii) Distributions that are required to comply with Code section 401(a)(9);

(iii) Immediate cashouts of less than \$5,000, as described in subsection 6.5(d) or paragraphs 6.5(e)(i) or 13.9(f)(ii);

(iv) Distributions pursuant to Code section 401(a)(14);

(v) Distributions of invalid rollovers pursuant to subsection 3.2(b); and

(vi) Distributions that must occur by a deadline specified in the Plan.

6.3 Distributable Amount.

The distributable amount of an Account Owner's Account(s) is the vested portion of the Account(s) (as determined by Article V) as of the Valuation Date coincident with or next preceding the date distribution is made, reduced by (a) any amount that is payable to an Alternate Payee pursuant to section 13.9, (b) any amount withdrawn pursuant to section 7.1 since such Valuation Date, and (c) the outstanding balance of any loan under section 7.2. Furthermore, the Committee shall temporarily suspend or limit distributions (by reducing the distributable amount), as explained in section 13.9, when the Committee is informed that a Domestic Relations Order affecting the Participant's Accounts is or may be in the process of becoming QDRO. The distributable amount shall also be zero (except to the extent necessary to comply with Code section 401(a)(9)) while the Committee has suspended withdrawals because it believes that the Plan may have a cause of action against the Participant, as explained in subsection 13.9(h).

6.4 Manner of Distribution.

(a) General. The distributable amount shall be paid in a single payment, except as otherwise provided in the remainder of this section. Distributions shall be in the form of cash except to the extent that an Account is invested in a fund containing primarily Company Stock, the distributee may elect to receive a distribution of whole shares of Company Stock. Fractional shares of Company Stock shall be converted to and paid in cash.

(b) Partial Withdrawals and Installments. Withdrawals are available to Employees as specified in section 7.1 and to those Employees over 70 1/2 who are Five-Percent Owners, as described in paragraph 6.5(c)(ii). Annual installments are available to beneficiaries as described in subsection 6.5(e).

(c) Grandfather Rules. Installments were a distribution option under the Plan until June 30, 2001. Annuities were a distribution option for some amounts that were transferred to this Plan before June 30, 2001. Any Account Owner who could receive a distribution before July 1, 2001 and who elected before July 1, 2001 to receive the distribution in the form of installments or an annuity shall receive the benefit so elected. An Account Owner who elected installments may elect to accelerate any or all remaining installment payments.

6.5 Time of Distribution.

(a) Earliest Date of Distribution. Unless an earlier distribution is permitted by subsection (b) or required by subsection (c), the earliest date that a Participant may elect to receive a distribution is as follows.

(i) Termination of Employment or Disability. A Participant may elect to receive a distribution as soon as practicable after he or she terminates employment or incurs a Disability. However, distribution from a Participant Before-Tax Contribution Account shall not occur pursuant to this paragraph unless (A) the Participant has separated from service within the meaning of Code section 401(k)(2)(B)(i)(I), (B) the Participant has incurred a Disability, (C) the Participant has attained age 59 1/2, or (D) the Participant has been affected by a corporate transaction described in Code section 401(k)(10)(A)(ii) or Code section 401(k)(10)(A)(iii).

(ii) During Employment. A Participant may not obtain a distribution while employed by the Company or an Affiliated Entity, except as provided in section 7.1 (relating to in-service withdrawals) and except as provided in paragraph 6.5(c)(ii) (relating to the minimum distributions required on and after a Five-Percent Owner's Required Beginning Date).

(b) Compliance With Code Section 401(a)(14). Notwithstanding subsection (a), unless a Participant elects otherwise, his or her distribution shall commence no later than 60 days after the close of the latest of: (i) the Plan Year in which the Participant attains Normal Retirement Age; (ii) the Plan Year in which occurs the tenth anniversary of the year in which the Participant commenced participation in the Plan; and (iii) the Plan Year in which the Participant terminates employment with the Company and Affiliated Entities. If a Participant does not affirmatively elect a distribution, he or she shall be deemed to have elected to defer the distribution to a date later than that specified in the preceding sentence.

(c) Latest Date of Distribution.

(i) Former Employees. A Participant who is not an Employee shall receive a single payment of his distributable amount by his Required Beginning Date. If a Five-Percent Owner terminates employment after his or her Required Beginning Date, the Plan shall distribute the entire distributable amount to him or her as soon as administratively practicable after the termination of employment.

(ii) Current Employees. An Employee who is not a Five-Percent Owner is not required to receive any distributions under this subsection. An Employee who is a Five-Percent Owner shall receive annual distributions of at least the minimum amount required to be distributed pursuant to Code section 401(a)(9). A Five-Percent Owner may request that his or her first minimum required distribution be distributed in the calendar year preceding his or her Required Beginning Date; the Committee shall comply with this request if administering practicable to do so.

(d) Small Amounts. If the aggregate value of the nonforfeitable portion of a Participant's Accounts is \$5,000 or less on any date after the Participant terminates employment, the Participant shall receive a single payment of the distributable amount as soon as practicable, provided that the aggregate value is \$5,000 or less when the distribution is processed. The Committee may elect to check the value of the Participant's Accounts on an occasional (rather than a daily) basis, to determine whether to apply the provisions of this subsection.

(e) Distribution Upon Participant's Death.

(i) Small Accounts. If the aggregate cash value of the nonforfeitable portion of a Participant's Accounts is \$5,000 or less at any time after the Participant's death and before any beneficiary elects to receive a distribution under this subsection, then the beneficiary or beneficiaries shall each receive a single payment of their share of each one's distributable amount as soon as administratively practicable, provided that the aggregate value is \$5,000 or less when the distribution is processed. The Committee may elect to check the value of the Participant's Accounts on an occasional (rather than a daily) basis, to determine whether to apply the provisions of this paragraph.

(ii) Larger Accounts. If paragraph (i) does not apply, then each beneficiary may elect to have his or her distributable amount distributed in a single payment or in annual installments at any time after the Participant's death, within the following guidelines. No distribution shall be processed until the beneficiary's identity as a beneficiary is established. The entire distributable amount shall be distributed by the last day of the calendar year containing the fifth anniversary of the Participant's death. A beneficiary who has elected installments may elect to accelerate any or all remaining payments. If the Participant was a Five-Percent Owner who began to receive the minimum required distributions under paragraph (c)(ii), the distribution to each beneficiary must be made at least as rapidly as required by the method used to calculate the minimum required distributions that was in effect when the Five-Percent Owner died.

(f) Alternate Payee. Distributions to an Alternate Payee shall be made in accordance with the provisions of the QDRO and pursuant to subsection 13.9.

(g) 242(b) Elections. Notwithstanding the foregoing, distribution of a Participant's Account(s), including the Account(s) of a Participant who is a Key Employee in a top-heavy plan, may be made in accordance with all of the following rules (regardless of when such distribution commences):

(i) The distribution must be one that would not have disqualified the Plan under Code section 401(a)(9) prior to its amendment by the Tax Equity and Fiscal Responsibility Act of 1982.

(ii) The distribution must be in accordance with a method of distribution designated by the Participant whose interest in the Plan is being distributed, or if the Participant is deceased, by the designated beneficiary of such Participant.

(iii) The designation must have been in writing, signed by the Participant or designated beneficiary, and made before January 1, 1984.

(iv) The Participant must have accrued a benefit under the Plan as of December 31, 1983.

6.6 Direct Rollover Election.

(a) General Rule. A Participant, an Alternate Payee who is the Spouse or former Spouse of the Participant, or a surviving Spouse of a deceased Participant (collectively, the "distributee") may direct the Trustee to pay all or any portion of his "eligible rollover distribution" to an "eligible retirement plan" in a "direct rollover." This direct rollover option is not available to other Account Owners (i.e., non-Spouse beneficiaries and Alternate Payees who are not the Spouse or former Spouse of the Participant). Within a reasonable period of time before an eligible rollover distribution, the Committee shall inform the distributee of this direct rollover option, the appropriate withholding rules, other rollover options, the options regarding income taxation, and any other information required by Code section 402(f).

(b) Definition of Eligible Rollover Distribution. For purposes of this section only, an "eligible rollover distribution" is any distribution or in-service withdrawal other than (i) distributions required under Code section 401(a)(9), (ii) distributions of amounts that have already been subject to federal income tax (such as defaulted loans or after-tax voluntary contributions, (iii) installment payments in a series of substantially equal payments made at least annually and (A) made over a specified period of ten or more years, (B) made for the life or life expectancy of the distributee, or (C) made for the joint life or joint life expectancy of the distributee and his designated beneficiary, (iv) a distribution to satisfy the limits of Code section 415 or 402(g), (v) a distribution to satisfy the ADP, ACP, or multiple use tests, (vi) any other actual or deemed distribution specified in the regulations issued under Code section 402(c), or (vii) any hardship withdrawal by an Employee under age 59 1/2 pursuant to subsection 7.1(c).

(c) Definition of Eligible Retirement Plan. For purposes of this section only, (i) for a Participant or an Alternate Payee who is the Spouse or former Spouse of the Participant, an "eligible retirement plan" is an individual retirement account or annuity described in Code section 408(a) or 408(b), an annuity plan described in Code section 403(a), or the qualified trust of a defined contribution plan that accepts eligible rollover distributions, and (ii) for a surviving Spouse of a deceased Participant, an "eligible retirement plan" is an individual retirement account or annuity.

(d) Definition of Direct Rollover. For purposes of this section only, a "direct rollover" is a payment by the Trustee to the eligible retirement plan specified by the distributee.

8. Effective as of November 1, 2001, Section 13.9(f) shall be replaced in its entirety by the following:

(f) The Alternate Payee shall have the following rights under the Plan:

(i) Single Payment. The only form of payment available to an Alternate Payee is a single payment of the distributable amount (measured at the time the payment is processed). If the Alternate Payee is awarded more than the distributable amount, the Alternate Payee shall initially receive a distribution of the distributable amount, with additional payments made as soon as administratively convenient after more of the amount awarded to the Alternate Payee becomes distributable.

(ii) Timing of Distribution. Subject to the limits imposed by this paragraph, the Alternate Payee may choose (or the QDRO may specify) the date of the distribution. If the value of the nonforfeitable portion of an Alternate Payee's Account is \$5,000 or less, the Alternate Payee shall receive a distribution as soon as practicable, provided that the value is \$5,000 or less when the distribution is processed. Otherwise, the distribution to the Alternate Payee may occur at any time after the Committee determines that the Domestic Relations Order is a QDRO and before the Participant's Required Beginning Date (unless the order is determined to be a QDRO after the Participant's Required Beginning Date, in which case the distribution to the Alternate Payee shall be made as soon as administratively practicable after the order is determined to be a QDRO).

(iii) Death of Alternate Payee. The Alternate Payee may designate one or more beneficiaries, as specified in section 6.1. When the Alternate Payee dies, the Alternate Payee's beneficiary shall receive a complete distribution of the distributable amount in a single payment as soon as administratively convenient.

(iv) Investing. An Alternate Payee may direct the investment of his Account pursuant to section 9.3.

(v) Claims. The Alternate Payee may bring claims against the Plan pursuant to section 13.2.

9. Effective as of April 1, 2000, the last sentence of section 7.2(e) shall be replaced in its entirety by the following:

Partial pre-payments are accepted.

10. Effective as of November 1, 2001, Appendix B shall be replaced in its entirety by the following:

APPENDIX B

HADSON ENERGY RESOURCES CORPORATION

Introduction

Apache acquired Hadson Energy Resources Corporation ("HERC") as of November 12, 1993. HERC and its wholly owned subsidiary, Hadson Energy Limited ("HEL"), maintained the Hadson Energy Resources Corporation Employee 401(k) Plan (the "HERC Plan"), a profit sharing plan containing a cash or deferred arrangement. The HERC Plan was terminated as of December 31, 1993, and amounts were transferred from the HERC Plan to this Plan.

The transferred amounts that are subject to the distribution restrictions of Code section 401(k) shall be placed in the Participant Before-Tax Contributions Accounts. Any remaining transferred amounts that represent after-tax contributions, rollovers, or the associated investment earnings shall be placed in the Rollover Account. All remaining transferred amounts shall be placed in the Company Contributions Account.

-- END OF APPENDIX B --

11. Effective as of August 1, 2000, Appendices C, E, G, I, J and K shall be deleted, the following Appendix C shall be added to the Plan, and current Appendices F and H shall be re-numbered as Appendices E and F:

APPENDIX C

Over the years, Apache and its Affiliated Entities have engaged in numerous corporate transactions, both acquisitions and sales. This Appendix contains any special service-crediting provisions that apply to employees affected by the corporate transaction (both those who become Employees and those whose employment is terminated).

SALES

The following Participants are fully vested in their Accounts in this Plan, on the following dates:

- o Employees terminated in connection with the summer 1995 sale of certain properties to Citation 1994 Investment Limited Partnership are fully vested in their Plan Accounts as of September 1, 1995.

ACQUISITIONS

A Period of Service for vesting purposes for a New Employee (listed below) shall be determined by treating all periods of employment with the Former Employer Controlled Group as periods of employment with Apache. The "Former Employer Controlled Group" means the Former Employer (listed below), its predecessor company/ies, and any business while such business was treated as a single employer with the Former Employer or predecessor company pursuant to Code section 414(b), 414(c), 414(m), or 414(o).

The following individuals are "New Employees" and the following companies are "Former Employers":

Former
Employer New
Employees --

- -----
--- Hadson
Energy
Resources
Corporation
("HERC") and
All
individuals
employed by
HERC or HEL
on Hadson
Energy
Limited
("HEL")
November 12,
1993.
Crystal Oil
Company
("Crystal")
All
individuals
hired from
Crystal or
related
companies
within a
week of the
closing date
on an asset
purchase
that was
originally
scheduled to
close on
December 31,
1994. Texaco
Exploration
&
Production,
Inc. All
individuals
hired from
TEPI or Inc.
("TEPI")
related
companies in
late
February and
early March
1995 in
connection
with an
acquisition
of assets
from TEPI.
The Phoenix
Resource
Companies,
Inc.
("Phoenix")
All
individuals
hired by
Apache in
1996 who
were Phoenix
employees on
May 20,
1996.
Crescendo
Resources,
L.P.
("Crescendo")
All
individuals
hired from
April 30,
2000 through
June 1, 2000
from
Crescendo
and related
companies in
connection
with an
April 30,
2000 asset
acquisition

from
Crescendo.
Collins &
Ware ("C&W")
and Longhorn
Disposal,
All
individuals
hired from
C&W and
Longhorn
Inc.
("Longhorn")
and related
companies in
connection
with a May
23, 2000
asset
acquisition
from C&W and
Longhorn.
Occidental
Petroleum
Corporation
("Oxy") All
individuals
hired from
Oxy and
related
companies in
connection
with an
August 2000
asset
acquisition
from an Oxy
subsidiary.

-- END OF APPENDIX C -

IN WITNESS WHEREOF, this Amendment has been executed the
date set forth below.

APACHE CORPORATION

By: /s/ Jeffrey M. Bender

Date: August 3, 2001

Title: Vice President - Human Resources

Amendment
To
Apache Corporation Money Purchase Retirement Plan

Apache Corporation ("Apache") maintains the Apache Corporation Money Purchase Retirement Plan (the "Plan"). In section 9.4 of the Plan, Apache reserved the right to amend the Plan from time to time. Apache hereby exercises that right as follows.

1. Effective as of January 1, 2000, the phrase "Code sections 125, 402(e)(3), 402(h), 403(b), 408(p), or 457" in sections 1.11(a) and 1.11(b) shall be replaced by the phrase "Code sections 125, 132(f)(4), 402(e)(3), 402(h), 403(b), 408(p), or 457."
2. Effective as of September 1, 2000, section 1.11(c)(i)(E) shall be replaced in its entirety by the following.
 - (E) Salary reductions that are excludable from an Employee's gross income pursuant to Code section 125 or 132(f)(4), and
3. Effective as of January 1, 2001, section 1.12(b) shall be replaced in its entirety by the following.
 - (b) An Employee shall not be a Covered Employee unless he or she is either based in the U.S. or on the U.S. payroll.
4. Effective as of January 1, 2001, section 1.20 shall be replaced in its entirety by the following.

1.20 "Highly Compensated Employee" means, for each Plan Year, an Employee who (a) was in the "top-paid group" during the immediately preceding Plan Year and had Compensation of \$80,000 (as adjusted by the Secretary of the Treasury) or more during the immediately preceding Plan Year, or (b) is a Five-Percent Owner during the current Plan Year, or (c) was a Five-Percent Owner during the immediately preceding Plan Year. The term "top-paid group" means the top 20% of Employees when ranked on the basis of Compensation paid during the year. In determining the number of Employees in the top-paid group, the Committee may elect to exclude Employees with less than six (or some smaller number of) months of service at the end of the year, Employees who normally work less than 17 1/2 (or some fewer number of) hours per week, Employees who normally work less than six (or some fewer number of) months during any year, Employees younger than 21 (or some younger age) on the last day of the year, and Employees who are nonresident aliens who receive no earned income (within the meaning of Code section 911(d)(2)) from Apache or an Affiliated Entity that constitutes income from sources within the United States, within the meaning of Code section 861(a)(3). Furthermore, an Employee who is a nonresident alien who receives no earned income (within the meaning of Code section 911(d)(2)) from Apache or an Affiliated Entity that constitutes income from sources within the United States (within the meaning of Code section 861(a)(3)) during the year shall not be in the top-paid group for that year.
5. Effective as of January 1, 2001, section 1.29(d) shall be replaced in its entirety by the following.
 - (d) Leased Employee Rules. See the definition of "Employee" for a description of when a leased employee (within the meaning of Code section 414(n)) is treated as an Employee. In addition, for purposes of calculating an Employee's Period of Service once an individual has become an Employee, the individual shall be treated as an Employee for any prior period during which the individual would have been a leased employee (within the meaning of Code section 414(n)) but for the fact that his or her services were not on a substantially full-time basis or were for less than a year.
6. Effective as of January 1, 2001, the following section 3.1(a)(vi) shall be added to the Plan.
 - (vi) Special Allocation for 2000. In addition to the allocation provided in paragraph (ii), the eligible Participants who had the smallest "plan year compensation" (as defined below) in 2000 shall receive an additional allocation of Company Mandatory Contributions equal to 1.83% of the eligible Participant's plan year compensation in 2000. For purposes of this paragraph only, "plan year compensation" means those amounts

reported as "wages, tips, other compensation" on Form W-2 by the Company or an Affiliated Entity and elective contributions that are not includable in the Employee's income pursuant to Code section 125, 132(f)(4), or 402(e)(3).

7. Effective as of July 1, 2001, section 5.1(c) shall be replaced in its entirety by the following.

(c) Change of Control. The Accounts of all Participants shall be fully vested as of the effective date of a "change in control." For purposes of this subsection, a "change of control" shall mean the event occurring when a person, partnership, or corporation, together with all persons, partnerships, or corporations acting in concert with each person, partnership, or corporation, or any or all of them, acquires more than 20% of Apache's outstanding voting securities; provided that a change of control shall not occur if such persons, partnerships, or corporations acquiring more than 20% of Apache's voting securities is solicited to do so by Apache's board of directors, upon its own initiative, and such persons, partnerships, or corporations have not previously proposed to acquire more than 20% of Apache's voting securities in an unsolicited offer made either to Apache's board of directors or directly to the stockholders of Apache.

8. Effective November 1, 2001 section 6.3(b) shall be replaced in its entirety by the following.

(b) Beneficiaries. The distributable amount that is left to a beneficiary shall be paid, at the election of the beneficiary, in the form of a single payment, installments (for non-Spouse beneficiaries), or an annuity (for Spouse beneficiaries), as described in subsection 6.4(e).

9. Effective as of November 1, 2001, sections 6.4(c), 6.4(d), and 6.4(e) shall be replaced in their entirety by the following.

(c) Latest Date of Distribution. The entire distributable amount shall be distributed to a Participant (i) in a single payment not later than the Required Beginning Date, or (ii) in the form of an annuity with payments beginning no later than the Required Beginning Date. The terms of the annuity shall comply with the applicable Treasury Regulations. The payment will be in the form of an annuity unless the Participant elects a single payment and, if the Participant is married, his or her Spouse consents to the single payment.

(d) Small Amounts. If the value of the nonforfeitable portion of a Participant's Account is \$5,000 or less at any time after the Participant's termination of employment, then the Participant shall receive a single payment of the distributable amount as soon as administratively practicable, provided that the value is \$5,000 or less when the distribution is processed. The Committee may elect to check the value of the Participant's Accounts on an occasional (rather than a daily) basis, to determine whether to apply the provisions of this subsection.

(e) Distribution Upon Participant's Death.

(i) Small Accounts. If the value of the nonforfeitable portion of a Participant's Account is \$5,000 or less at any time after the Participant's death and before any beneficiary elects to receive a distribution under this subsection, then the beneficiary or beneficiaries shall each receive a single payment of each one's distributable amount as soon as administratively practicable, provided that the aggregate value is \$5,000 or less when the distribution is processed. The Committee may elect to check the value of the Participants' Accounts on an occasional (rather than a daily) basis to determine whether to apply the provisions of this subsection.

(ii) Larger Accounts. If paragraph (i) does not apply, then each beneficiary may elect to have his or her distributable amount distributed at any time after the Participant's death, within the following guidelines. The forms of permitted distribution are a lump sum, annual installments, and for Spouse beneficiaries only, a QPSA. No distribution shall be processed until the beneficiary's identity as a beneficiary is established. The entire distributable amount shall be distributed by the last day of the calendar year containing the fifth anniversary of the Participant's death; if a Spouse

beneficiary elects a QPSA, the annuity contract shall be distributed by the last day of the calendar year containing the fifth anniversary of the Participant's death. A beneficiary who elects installments may elect to accelerate any or all remaining payments. In addition, if the Participant was a Five-Percent Owner who began to receive the minimum required distributions under paragraph (c)(ii), the distribution to each beneficiary must be made at least as rapidly as required by the method used to calculate the minimum required distributions that was in effect when the Five-Percent Owner died.

10. Effective as of November 1, 2001, Section 12.9(f) shall be replaced in its entirety by the following:

(f) The Alternate Payee shall have the following rights under the Plan:

(i) Small Accounts. If the value of the nonforfeitable portion of an Alternate Payee's Account is \$5,000 or less, the Alternate Payee shall receive a single payment of the distributable amount as soon as practicable, provided that the value is \$5,000 or less when the distribution is processed. The Committee may elect to check the value of the Alternate Payee's Account on an occasional (rather than a daily) basis, to determine whether this paragraph applies.

(ii) Single Payment or Annuity. This paragraph applies only if paragraph (i) does not apply. The only form of payment available to an Alternate Payee who is not the Spouse or former Spouse of the Participant is a single payment of the distributable amount (measured at the time the payment is processed). An Alternate Payee who is the Spouse or former Spouse of the Participant may choose between a single payment of the distributable amount or an annuity. If the Alternate Payee is awarded more than the distributable amount, the Alternate Payee shall initially receive a distribution of the distributable amount, with additional distributions made as soon as administratively convenient after more of the amount awarded to the Alternate Payee becomes distributable.

(iii) Timing of Distribution. This paragraph applies only if paragraph (i) does not apply. Subject to the limits imposed by this paragraph, the Alternate Payee may choose (or the QDRO may specify) the date of the distribution. The distribution to the Alternate Payee may occur at any time after the Committee determines that the Domestic Relations Order is a QDRO and before the Participant's Required Beginning Date (unless the order is determined to be a QDRO after the Participant's Required Beginning Date, in which case the distribution to the Alternate Payee shall be made as soon as administratively practicable after the order is determined to be a QDRO).

(iv) Death of Alternate Payee. The Alternate Payee may designate one or more beneficiaries, as specified in section 6.1. When the Alternate Payee dies, the Alternate Payee's beneficiary shall receive a complete distribution of the distributable amount in a single payment as soon as administratively convenient.

(v) Investing. An Alternate Payee may direct the investment of his Account pursuant to section 8.3.

(vi) Claims. The Alternate Payee may bring claims against the Plan pursuant to section 12.2.

11. Effective as of August 1, 2000, Appendix C shall be replaced in its entirety by the following and Appendix D shall be deleted:

APPENDIX C

Over the years, the Company has engaged in numerous corporate transactions, both acquisitions and sales. This Appendix contains any special service-crediting provisions that apply to employees affected by

the corporate transaction (both those who are hired by the Company and those whose employment is terminated).

SALES

The following Participants are fully vested in their Accounts in this Plan, on the following dates:

[none, as of July 1, 2001]

ACQUISITIONS

A Period of Service for vesting purposes for a New Employee (listed below) shall be determined by treating all periods of employment with the Former Employer Controlled Group as periods of employment with Apache. The "Former Employer Controlled Group" means the Former Employer (listed below), its predecessor company/ies, and any business while such business was treated as a single employer with the Former Employer or predecessor company pursuant to Code section 414(b), 414(c), 414(m), or 414(o).

The following individuals are "New Employees" and the following companies are "Former Employers":

Former
Employer New
Employees --

- - - - -

Crescendo
Resources,
L.P.

("Crescendo")

All
individuals
hired from
April 30,
2000 through
June 1, 2000
from

Crescendo
and related
companies in
connection
with an
April 30,
2000 asset
acquisition
from

Crescendo.
Collins &
Ware ("C&W")
and Longhorn
Disposal,

All
individuals
hired from

C&W,
Longhorn,
and Inc.

("Longhorn")
related

companies in
connection
with a May
23, 2000

asset
acquisition
from C&W and
Longhorn.

Occidental
Petroleum
Corporation
("Oxy") All

individuals
hired from

Oxy and
related

companies in
connection

with an
August 2000

asset
acquisition
from an Oxy
subsidiary.

-- END OF APPENDIX C --

IN WITNESS WHEREOF, this Amendment has been executed the date

set forth below.

By: /s/ Jeffrey M. Bender

Date: August 3, 2001

Title: Vice President - Human Resources

Amendment
To
Non-Qualified Retirement/Savings Plan of Apache Corporation

Apache Corporation ("Apache") maintains the Non-Qualified Retirement/Savings Plan of Apache Corporation (the "Plan"). Pursuant to section 8.02 of the Plan, Apache has retained the right to amend the Plan. Apache hereby exercises that right, effective as of the dates set forth below.

1. Effective as of September 1, 2000, section 1.06(a)(v) shall be replaced in its entirety by the following.
 - (E) Salary reductions that are excludable from an Employee's gross income pursuant to Code section 125 or 132(f)(4), and
2. Effective as of July 1, 2001, section 5.01(c)(v) shall be replaced in its entirety by the following.
 - (v) Change of Control. All Participants shall be fully vested if a "change in control" occurs. For purposes of this paragraph, a "change of control" shall mean the event occurring when a person, partnership, or corporation, together with all persons, partnerships, or corporations acting in concert with each person, partnership, or corporation, or any or all of them, acquires more than 20% of Apache's outstanding voting securities; provided that a change of control shall not occur if such persons, partnerships, or corporations acquiring more than 20% of Apache's voting securities is solicited to do so by Apache's board of directors, upon its own initiative, and such persons, partnerships, or corporations have not previously proposed to acquire more than 20% of Apache's voting securities in an unsolicited offer made either to Apache's board of directors or directly to the stockholders of Apache.

IN WITNESS WHEREOF, this Amendment has been executed the date set forth below.

APACHE CORPORATION

By: /s/ Jeffrey M. Bender

Date: August 3, 2001

Title: Vice President - Human Resources

APACHE CORPORATION
STATEMENT OF COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES AND
COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS
(IN THOUSANDS)

	SIX MONTHS ENDED JUNE 30,						
	2001	2000	2000	1999	1998	1997	1996
<hr/>							
EARNINGS							
Pretax income (loss) from continuing operations(1)	\$ 808,887	\$ 438,922	\$1,203,681	\$ 344,573	\$ (187,563)	\$ 258,640	\$ 200,195
Add: Fixed charges excluding capitalized interest	71,198	59,442	116,190	90,398	78,728	78,531	68,091
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Adjusted Earnings	\$ 880,085	\$ 498,364	\$1,319,871	\$ 434,971	\$ (108,835)	\$ 337,171	\$ 268,286
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
FIXED CHARGES AND PREFERRED STOCK DIVIDENDS							
Interest expense including capitalized interest(2)	\$ 93,966	\$ 83,183	\$ 168,121	\$ 132,986	\$ 119,703	\$ 105,148	\$ 89,829
Amortization of debt expense	1,034	1,732	2,726	4,854	4,496	6,438	5,118
Interest component of lease rental expenditures(3)	5,066	3,368	7,343	5,789	3,808	3,438	3,856
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Fixed charges	100,066	88,283	178,190	143,629	128,007	115,024	98,803
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Preferred stock dividend requirements(4)	16,222	17,127	33,386	24,788	2,905	--	--
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Combined fixed charges and preferred stock dividends	\$ 116,288	\$ 105,410	\$ 211,576	\$ 168,417	\$ 130,912	\$ 115,024	\$ 98,803
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Ratio of earnings to fixed charges	8.80	5.65	7.41	3.03	-- (5)	2.93	2.72
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Ratio of earnings to combined fixed charges and preferred stock dividends	7.57	4.73	6.24	2.58	-- (5)	2.93	2.72
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

(1) Undistributed income of less-than-50 percent-owned affiliates is excluded.

(2) Apache guaranteed and is contingently liable for certain debt. Fixed charges, relating to the debt for which Apache was contingently liable, have not been included in the fixed charges for any of the periods shown above.

(3) Represents the portion of rental expense assumed to be attributable to interest factors of related rental obligations determined at interest rates appropriate for the period during which the rental obligations were incurred. Approximately 32 percent to 34 percent applies for all periods presented.

(4) Represents the amount of pre-tax earnings that would be required to cover preferred stock dividends.

(5) Earnings were inadequate to cover fixed charges and combined fixed charges and preferred stock dividends by \$236.8 million and \$239.7 million, respectively, due to the \$243.2 million write-down of the carrying value of United States oil and gas properties.